Accountancy

ESTABLISHED 1889

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Costing the Hospitals

•

"Direct Costing"—its Pros and Cons

•

Corporate Taxation

THE SOCIETY OF INCORPORATED ACCOUNTANTS

SEPTEMBER 1955 *TWO SHILLINGS*

The Society

of

Incorporated Accountants

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There are Branches of the Society in Scotland, Ireland, Canada, Australia, South Africa and Central Africa, and District Societies in all parts of England and Wales, Northern Ireland, and India. Students' Societies and Students' Sections operate throughout Great Britain, Northern Ireland, and Eire.

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Professional Notes

Harder Money at Work

"ROSES RATHER THAN PRIMROSES" we wrote a month ago. But since we wrote, the Chancellor has set about clearing the overgrowth. There is still too much summer flowering and foliage in our way for Mr. Butler's earlier metaphor of the "primrose path" to be at all apt for this inflation, yet many colourful blooms have been picked and are now faded. The banks must reduce advances by some £200 million by the end of the year—not, let it be carefully noted, by force of market pressures, but because the Chancellor, a Conservative Chancellor, has told them so. Bank customers with overdrafts are now hearing similar uncompromising words from their branch managers. Purchases on the "never, never" are being discouraged by larger deposits and shorter periods of repayment. The building societies, having fought a losing rearguard action against rising rates of interest, variously lift the rate on new mortgages to 5 per cent or 5½ per cent., some (but not all) give notice, but notice of varying lengths, to existing mortgagors that they too will have to pay the higher rates, and variously pay 2¾ per cent. to 3½ per cent. (tax paid) on shares. The *Public Works Loan Board* jumps to an even more secure position on the bandwagon on which it already had a front seat, with its third rise in interest rates since the Bank Rate received its first half-hearted upward push last February. Local authorities will pay more for housing loans from the Board, but the rate structure is so drawn that short-term loans will rise even more in price. And the "farmers' bank," the *Agricultural Mortgage Corporation*, raises its rate on loans by a point, to 5½ per cent. Finally, the authorities pitch the price of the new Electricity Loan

below rather than above the market, thus correcting their maladroit handling of the Gas Loan a month or so previously, when they sought to sell the new stock at a lower rate of interest than the ruling rate, rather than to aid the general hardening of rates in all sectors of the economy by paying somewhat more.

However, the inflationary pressures remain powerful indeed, and we may be permitted to reiterate that rising wages at home and rising prices of imports are not necessarily defeated by purely monetary and financial measures in the domestic economy. It is to the good that the method of harder money all round is belatedly being given its trial, but the outcome this autumn and winter will show whether other measures must be prayed in aid.

International Congress of Accountants

IT HAD BEEN arranged that the next International Congress of Accountants, to be held in Amsterdam in 1957, would take place from June 10 to 14 (see ACCOUNTANCY, May, 1955, page 164). The International Congress Committee now announces that it is proposed that the Congress should be held instead from September 9 to 13, 1957. Pressure upon travelling facilities and hotel accommodation would be experienced if the Congress were to be held on the original dates, which coincide with Whitsuntide. The Committee states that there are other objections to the remaining weeks of June, and it is thought best to postpone the Congress until after the summer season.

The Public Trustee and Nomination of Accountants

IN OUR ISSUE of June 1955 (page 203), we reproduced the submission of the Council of the Society of Incorporated Accountants to the Committee of Inquiry into the Public Trustee Office. In the third paragraph of the submission it was pointed out that while there is provision in the form of application issued by the Public Trustee Office for testators to nominate their bankers, stockbrokers and solicitors to do professional work connected with the trust, there is no such provision for the nomination of their professional accountants. The Council submitted that, even though difficulties might be involved, the facility for nominating an applicant's selected professional accountant or accountancy firm might well result in an increased use of the services of the Public Trustee Office.

Sir Wyndham Hirst, the Public Trustee, has now indicated to the Council of the Society that an alteration will be made in his testator's application form to remedy the omission, and the Council has expressed its thanks to Sir Wyndham for his action. This is a very satisfactory outcome to the representations made by the Council.

Accountants' Certificates for Solicitors

UNDER THE ACCOUNTANT'S Certificates (Amendment) Rules, 1954, which came into force last November (see ACCOUNTANCY for July, 1954, pages 247–8), practising solicitors are required to deliver accountants' certificates to the Registrar of Solicitors by not later than six months after the expiration of their accounting year. In a notice which we understand will appear shortly in the *Law Society's Gazette*, the Council of the Law Society states that some solicitors are failing to comply with the terms of the new rule, by not delivering their accountants' certificates by the due date. In the notice the Council of the Law Society once more directs the attention of its members to the importance of strict compliance with the rules and to the fact that failure to comply renders a solicitor liable to immediate disciplinary proceedings without notice. It is stated that if a solicitor considers for any reason that he is or may be unable to comply with the rules he should without delay, and as soon as he finds himself in that position, notify the Secretary of the Law Society of the full facts and apply to the Council for an extension of time in which to deliver his certificate. The Council emphasises that an extension will be granted only in exceptional circumstances. It goes on to point out that there is no reason, as far as the accountant's rules are concerned, why an accountant should delay giving his certificate pending a complete examination of the solicitor's books for other purposes.

It is hoped that Incorporated Accountants will co-operate to the full with solicitors for whom they give certificates in accordance with the rules, so that there may be no delay in the delivery of the certificates to the Law Society by solicitors.

A New Wages Plan

SPEAKING AT THE annual general meeting of *Edgar Allen & Co. Ltd.* at Sheffield last month the Chairman, Mr. W. H. Higginbotham, F.S.A.A. (who is a Council member of the Society of Incorporated Accountants), criticised co-partnership in its usual forms and put forward a sophisticated variant for gearing wages to efficiency.

As commonly practised, the "latest popular panacea" of co-partnership was merely a form of profit-sharing, said Mr. Higginbotham. It lacked the elements of sharing of losses, of a community of interest and of participation in management; all these elements were essential to the true co-partnership relation. It was not liked by the trade unions. It was too often little more than a gesture, unless coupled with ownership rights and perhaps even some share in management—a responsibility which workers did not really want.

As his alternative, Mr. Higginbotham put forward an idea for calculating wages derived from the Rucker plan operated by a number of businesses in the United States. The amount of the wages or the "labour value" included in the conversion cost of a business—the cost of processing or converting the component materials—would normally be found to bear a basic ratio to that cost. Period by period the amount of any downward variation in the ratio for current output compared with the basic ratio would be credited, and the amount of any upward variation would be charged, to a fund from which at short intervals appropriations would be made for the workers' benefit, proportionately to their contributions in hours of work at their base rates. The appropriations could take the form of additions to wages,

pensions provisions or purchase of shares. Wage rates would be guaranteed, in accordance with local or union agreements. Mr. Higginbotham claimed that, given goodwill and intelligence, the idea was capable of wide extension and variation and he commended its study to all those who were seeking a solution of the present labour troubles of the country.

Mr. Edwin Fletcher

MR. EDWIN FLETCHER, M.A., A.S.A.A., has been appointed Deputy Director of the European Productivity Agency, one of the new agencies of the Organisation for European Economic Co-operation. He has been given leave of absence by the Trades Union Congress, which he joined in 1944. In 1947 he was put in charge of the Research and Economics Department and since 1950, as head of the Production Department, he developed the scheme of technical training in production subjects for trade union officials. He has also acted as secretary of the Production Committee of the T.U.C. and of its Scientific Advisory Committee.

Mr. Fletcher has been a member of the advisory council of the Department of Scientific and Industrial Research and of the Committee on Human Relations set up under the joint sponsorship of the Department and of the Medical Research Council. He is also a member of the British Institute of Management Trade Union Advisory Committee, the Advisory Committee of the Cranfield Work Study School, and the British Standards Institution Committee on Work Study Terminology.

In 1931 Mr. Fletcher became an Associate of the Society of Incorporated Accountants. He is also a Master of Arts of Cambridge University, where he read economics.

Timidity on Charitable (and Other) Trusts

WHETHER OR NOT a trust is charitable ultimately depends upon the wording of the preamble to a statute of the first Queen Elizabeth. The Government considers that although a new statutory definition is to be desired, it is impracticable to provide one without upsetting the settled cases stemming from the old statute. This unsettlement it wishes to avoid, so that the decision is to preserve the *status quo*. The decision is announced in a White Paper (Command 9538), in which Governmental policy on the report of the Nathan Committee on Charitable Trusts (see ACCOUNTANCY for January, 1953, pages 15–16 and March, 1953, pages 85–86) is set out.

The present methods of administrative control of charitable trusts are approved, except that it should be made a statutory obligation to record details with the Charity Commissioners or the Ministry of Education.

In the opinion of the Government a standardised form of accounts is unnecessary, for it has not been difficult to persuade trustees to render intelligible and adequate accounts. The recommendation of the Nathan Committee, that accounts submitted to the Charity Commissioners or the Ministry of Education should always be audited, is not accepted—on the grounds that the accounts of a large trust would probably be audited in any event and to force an audit on a small trust would cause unnecessary expense. It is all to the good that the compiler of the accounts of a trust is to be given a fairly wide discretion, but one may doubt the wisdom of running what may sometimes be quite large risks by dispensing with an audit for the sake of a small saving in cost.

There has been a running debate over the years on the general restriction of investment by trustees to securities in the present very select trustee list. Most of the disputants have urged greater freedom for trustees to invest the funds committed to their care. The Nathan Committee lent its support to the view that the trustee list should be extended and, subject to stipulated limits on holdings, should include equities. The Government has now promulgated (not in the Command Paper but in a written answer in the House of Commons) its policy on extending the list for trustees in general. The policy is entirely opposed to the recommendation of the Nathan Committee and many who are interested in the administration of trusts will, we think, find it disappointingly negative. Equities should not be included in the list, the Government says, because they may depreciate as well as appreciate. Moreover, including them in the list might be taken by the public as conveying some official guarantee of their suitability for investment (this seems a far-fetched idea). The object of the list is to ensure the safety of the trust funds—as when the settlor has not thought fit to give a wider power of investment—and not to give trustees scope for exercising their skill in equity investment. The list also affords protection for trustees who have to balance the interests of tenants for life against those of remaindermen. Trustees can already invest beyond the stipulated range of securities by agreement with the beneficiaries (in certain circumstances) or by leave of the High Court. Refusing to extend the trustee list, the Government proposes merely some detailed amendments of no general importance.

The Command Paper is more positive on investments by charitable trusts. They would obtain sufficient relaxation of the restrictions, it says, if the Charity Commissioners and the Ministry of Education possessed powers, such as those already held by the Court, to give the trustees wider scope for investment on application. For the guidance of trustees, it would be laid down in general terms what safeguards and conditions would be imposed before wider powers of investment could be granted and the extent of their possible widening.

The Governmental statement gives its policy, in some minuteness, on the alteration of trusts and their objects: the details are primarily of interest to lawyers, but it is regrettable that the recommendations of the Nathan Committee that the restrictions of *cy-près* should be removed from charitable trusts in general is not followed.

The Nathan Committee proposed that "unified trust funds," into which trustees should be able to pass their funds, should be established. There are clear advantages in thus following

the example of the existing investment trusts and in utilising investment *expertise*, but the Government points out that the trustees would incur a heavy responsibility if anything went wrong, as they have no power to pass the control of their funds to anyone except an official trustee. It is proposed, however, to introduce legislation enabling trustees to put their funds into a unified trust fund approved by the Commissioners or the Ministry of Education. No doubt many of the smaller trusts would gladly avail themselves of the opportunity of delegating their invesment to specialist trust funds, the formation of which would be left to private initiative.

How Much Gilt on the Edge?

THE PRIZE FOR book production in the City of London again goes to the firm of stockbrokers who issue, for private circulation only, their urbanely written commentary on the gilt-edged market, with its tables as profuse and its graphs as elegant and informative as ever. We much cherish our copy of the second supplement to *British Government Securities in the Twentieth Century*. With the first supplement, issued in 1952, and the second edition of the main work, which appeared in 1950, it is the source-book *par excellence* for all data on Government financing.

The volume contains a new set of graphs, headed "Yield Curve?" showing for the end of last June an almost vertical line at about 4 per cent., when interest rates are plotted horizontally and the lives of the stocks, varying from less than a year to over 40 years and, beyond that, to funded stocks, are plotted vertically. That is to say, two months ago yields were not higher the longer the life of the stock, as in the market (though not in economic theory) they are traditionally expected to be. Other curves demonstrate that this traditional relationship holds only at times of cheap money, like 1932, 1946 and 1952; it is quite reversed when money is dear, as it was in 1920 and 1931. The outstanding question is: will the graph for next year or the year after that remain almost vertical, or will it slope to the right (the cheap money pattern) or slope to the left (the dear money pattern)? The compilers of the volume do not stay to give an answer but they do put out some penetrating points:

> . . . more than £3,000 million of stocks will need to be funded in the next five years, and . . . during the next 15 years projected plans will call for £1,240 million for railways and £300 million for nuclear power stations, while capital expenditure in the electricity and gas industries in the next seven years is estimated to be nearly £1,800 million. All this apart from the normal year-to-year financing needs of the community. It will be interesting to see how the public palate, a little jaded at present, is to be restimulated.

Finger on the Shareholders?

"NAME THE Shareholders!", says the Trades Union Congress, thus reviving the issue of nominee shareholders, dormant these seven or eight years since the Companies Act.

The General Council of the T.U.C. has asked the Board of Trade to refer to the General Consultative Committee on the Companies Act the question whether every shareholder in a company, who is not the sole owner in his own right, should be required "to file with the company within a reasonable time a statutory declaration of the full name, address, nationality and description of the true beneficial owner and . . . a statement of such holdings should be submitted each year to the Registrar of Companies with the annual returns." The General Council asks also that the Committee should pronounce upon the related question of whether "companies should give a full and detailed list of their subsidiaries (and other shareholdings) with their balance sheets." The Consultative Committee is a body of independent advisers, of whom one is Mr. Bertram Nelson, F.S.A.A., the President of the Society of Incorporated Accountants.

It will be recalled that in its report of 1944 the Cohen Committee made a recommendation on nominee shareholdings on the lines of the suggestion now put forward by the T.U.C. (though in a recent issue of its bulletin *Industrial News*, the T.U.C. says that the Committee did not support the proposal). The first version of the Companies Bill of 1947 sought to make disclosure of nominee shareholdings obligatory. But Lord Jowett, then the Lord Chancellor, and Sir Stafford Cripps, the President of the Board of Trade, decided in the face of a revolt of their back-benchers that the clauses were unworkable. Lord Jowett confessed that he had amused himself by studying the clauses to see how he could evade them. "I played at this game for about half-an-hour one evening and I discovered five different ways in that half-hour of avoiding these clauses." In place of the clauses the Act gave authority to the Board of Trade to appoint an inspector to investigate the ownership of a company if it appeared to the Board that there was good reason to do so, but so far it has instigated only three investigations. The T.U.C. says that it recognises that there are practical difficulties in framing and operating legislation, but is "not convinced that these are a sufficient reason for doing nothing."

The proposal of the T.U.C. in the second of the questions it puts forward would carry directors' obligations beyond the requirements of the Companies Act for the consolidation of accounts. While, as far as we are aware, there has been no public demand for such full information to be given by companies about their subsidiaries, the issue might well be authoritatively considered by the Consultative Committee. The general principle of the utmost disclosure in company accounts is one to be applauded and if the question of information about subsidiaries were put to the Committee, the connected issue of making known nominee shareholdings could also be examined again, despite its having received such a thorough airing less than a decade ago and even though the T.U.C. makes no suggestions for overcoming the practical difficulties then uncovered.

Tax on Hauliers' Compensation

THE *Road Haulage Association* has advised those of its members who

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have received compensation for businesses compulsorily acquired under the Transport Act, 1947, or are still awaiting a final settlement, not to pay tax on their compensation until the result is known of a deputation the Chancellor of the Exchequer is being asked to receive.

The Association issued a statement in the following terms:—

Following a number of test cases the Board of Inland Revenue has now informed the Association that it will not alter its decision to tax those ex-hauliers who, in the opinion of the Board, are liable. Something like 20,000 vehicles are involved and the income tax authorities may find themselves faced with appeals in respect of each vehicle.

In a normal business transaction, tax is paid on the difference between what the seller receives for his assets and their written-down value in his books for taxation purposes. The Association has always maintained that nationalisation did not constitute a sale in the ordinary sense of the word and that income tax should not, therefore, be payable. This has been accepted by the income tax authorities in respect of all other industries that have been nationalised, including the former owners of railway wagons acquired under the Transport Act, 1947, but has not so far been accepted in respect of one category of hauliers.

A deplorable anomaly is thus created whereby hauliers who sold their businesses voluntarily to the British Transport Commission have received preferential treatment over those who waited for compulsory acquisition.

The Association does not criticise hauliers who handed over their businesses voluntarily, but feels that equally favourable treatment should be given to the other operators, mostly small men, who continued in business under free enterprise until the last possible moment when the law compelled them—not without hardship in some cases—to surrender their freedom of operation.

To make the position more absurd, hauliers whose businesses were immediately absorbed by the B.T.C. have escaped the taxation that is demanded where the commission elected to continue to run a business for a period after acquisition as a separate entity.

Many such hauliers have now returned to the industry by buying transport units offered for sale under the Transport Act, 1953. Others would like to do so, using for this purpose the money they received, or hope to receive, as compensation. This becomes almost impossible if inequitable taxation is due to reduce the compensation by, in some cases, as much as 40 per cent.

We fear that the Association and its members are confronting a legality which, even if it lacks common sense, binds the Inland Revenue. Though one sympathises with the Association, the real question seems to be whether it can secure a change in the law.

Shorter Notes

Company Births and Deaths

More new companies are being formed —10,447 in the first seven months of this year, compared with 9,236 in the same period of 1954. And fewer companies are going into liquidation—191 in the first half of the year, against 239 in the first half of 1954.

Census of Production—Advance Results

The sample census of production for 1953 shows that net manufacturing output was 7 per cent. higher than in 1951, the year of the last preceding census, which was a full one. The average net output per employee in manufacturing in 1953 was £727. Stocks in manufacturing industry were worth nearly £3,100 million at the beginning of 1953; they changed but slightly by the end of the year. The provisional results of the census give figures of output, employment, stocks and capital expenditure for the standard industrial classification and there are wide variations among the different industrial groups.

New I.C.F.C. Office

The *Industrial and Commercial Finance Corporation*, which in addition to its London head office already has offices in Birmingham, Edinburgh, Leicester and Manchester, has opened a branch office at Headrow House, Leeds, 1.

Bank Customers' Association

The *Bank Customers' Association* has been registered as a company limited by guarantee without share capital, with offices at 17 Victoria Street, London, S.W.1. The chairman is a solicitor and it is stated that other solicitors, accountants and company directors have assisted in forming the association. They believe that the "banking world is still too much a monopoly and a preserve of the larger banks" and that "overdrafts and advances are often arbitrarily refused without a reason being given." The association intends to prepare a code of fair practices for banks to observe towards their customers. The annual subscription will be £1 11s. 6d. and a campaign for members is to be launched this month.

Seminar on Opportunity Costs

Mr. R. Warwick Dobson, C.A., F.C.W.A., will open the discussion at a seminar on *Opportunity Costs* arranged by Professor F. Sewell Bray, F.C.A., F.S.A.A., Stamp-Martin Professor of Accounting. The seminar will be held at Incorporated Accountants' Hall, London, W.C.2, at 6 p.m. on Thursday, September 29. Readers who would like to attend the seminar are asked to advise Mr. T. W. South at Incorporated Accountants' Hall.

Winding-up Costs

As we reported in our last issue (page 287), although for many years the Chief Clerk in the Companies Winding-up Department had taxed costs on the liquidation of a company, it was recently held in the Chancery Division that the law allowed costs to be taxed only by the Registrar. The Companies (Winding-up) Rules, 1949, have now been amended by Statutory Instrument No. 1077 (L.7) of 1955 to authorise the taxation of costs in proceedings in the Companies Court to be conducted by a person acting under the direction of the Registrar, thus sanctioning the long-standing practice. The rules have been made by the Board of Trade with the consent of the Lord Chancellor.

Science and Management

The Impact of Science on Management in the Future will be the theme of a national conference to be held by the British Institute of Management from November 2 to 4 at Harrogate. The programme will be available shortly. Invitations to speak have already been accepted by Mr. John Diebold, American pioneer of "automation," Sir Geoffrey Vickers, V.C., and Sir Charles Goodeve, O.B.E., F.R.S., Director of the *British Iron and Steel Research Association*. The Institute says that discussion between scientists and managers is increasingly important, since on management rests the responsibility for translating into practice the fundamental changes presented by the discoveries of the scientists.

An Ancient Form of Tax Relief

For excelling at the games in the second half of the third century A.D. in such performances as trumpet playing, acting as a herald or writing verses, young men in an Egyptian provincial town like Oxyrhynchus could gain exemption from taxation. At their meeting last month the *British Classical Societies* were told that this information was recently gleaned from papyri dug up more than 50 years ago.

EDITORIAL

Costing the Hospitals

THE Minister of Health, in appointing a working party to devise a system of hospital costing, accepted the principle of departmental costing for the nationalised hospitals. In its report, published last month, the working party, while recommending the general adoption of a specific uniform costing scheme based on departments and services, suggests that it should be gradually introduced, "starting with hospitals where the greatest amount of money is being spent and gradually bringing into the field other hospitals where a full system appears to be warranted by the facts." Initially, only hospitals of the "acute and mainly acute type" with expenditure on maintenance (less direct credits) of more than £150,000 a year would be included, no hospital authority being required for the first two years to operate the main scheme in more than one hospital. In this way the hospitals likely to be involved would be limited in the first place to about 200.

Two members of the working party, while agreeing with the main substance of the report, feel that even the modest pace proposed by the majority is too fast: in their opinion the main scheme should be limited to 50 hospitals until the value of costing is proved. It may be significant that both these members were representatives of the teaching hospitals, which tend to be conservative and also expensive.

Under the scheme put forward by the majority, costs would be analysed in three main categories: (i) patients' departments (in-patients and out-patients); (ii) medical services departments (for example, radiotherapy, pathology and the like); and (iii) general services (boiler house, works, laundry and so on). Although initially for in-patients all types of wards should be combined for cost purposes, from the outset selected hospitals would be required to analyse ward costs under the main specialties, to make it possible to assess the additional work involved in this analysis and the value to administration of the results obtained.

For the remainder of the hospitals, which form the bulk in the nationalised service, it is proposed to make do for the time being with a simplified costing statement producing little disruption of the existing accounting methods. To make the cost statement more informative than that now in use, and to encourage the development towards the main scheme, certain groupings of direct expenses of the main departments and services of hospitals are suggested.

The plan put forward by the working party will greatly improve the standard of information at present available to hospital authorities and the Ministry of Health. The tenor of the report is cautious but it is a practical and workmanlike document. Its implementation should involve the minimum of upset and expense—the largest item of additional cost will stem from the requirement to have efficient methods of accounting for stores in hospitals. But the Comptroller and Auditor General recently criticised severely existing methods of stores accounting in the Hospital Service (see *Summarised Accounts of Regional Hospital Boards, Boards of Governors, Hospital Management Committees, etc., for the year to March 31, 1954*. Her Majesty's Stationery Office, 2s. net) and it would seem that in any event hospital authorities are already being pressed to improve their systems of stores accounting. Probably the Minister of Health, who is now consulting the various bodies representing the hospital authorities concerned, will have in mind, when directing the action to be taken on the report of the working party, this necessity of improved hospital stores accounting.

We hardly expected to find any responsible commentator objecting to this limited scheme of objective costing, which would not replace the simplified subjective costing now in operation in the hospitals, but would be grafted on to the existing accounting system. But *The Economist*, disregarding three earlier expert reports and the expressed opinions of the great majority of organisations in the hospital service, all in favour of the introduction of departmental costing, opposes it on the grounds that this "expensive technique" will not lead to reduced hospital costs. Would *The Economist* use the same argument in the context of ordinary business enterprise? If so, it runs against the proven experience of thousands of business concerns—and takes a line that is at least a generation behind the times. If not, it should explain how hospital management differs from business management, in the application of costing as a tool in cost reduction. *The Economist* desires to see hospital administration reformed, so that more responsibility would be placed on the management committees. Yes, this is a much-needed reform. But we suspect that management committees that knew their job would be the first to demand departmental costings, if they were to be charged with real responsibility to economise, and those that did not know their job could easily misuse their enhanced powers unless it were possible for cost comparisons to be made among hospitals.

The *Report of the Working Party on Hospital Costing* is published by Her Majesty's Stationery Office at 2s. net. Among the members of the working party were four Incorporated Accountants—Mr. F. S. Adams, A.S.A.A., A.I.M.T.A. (Treasurer, Birmingham Regional Hospital Board), Mr. E. A. Hall, A.S.A.A., F.I.M.T.A. (Finance Officer, Birmingham (Dudley Road) Group Hospital Management Committee), Mr. G. McLachlan, B.COMM., A.S.A.A. (Accountant, Nuffield Provincial Hospitals Trust) and Captain J. E. Stone, C.B.E., M.C., F.S.A.A. (Director of Division of Hospital Facilities and Consultant on Hospital Finance, King Edward's Hospital Fund for London).

"Direct Costing"—its Pros and Cons

[CONTRIBUTED]

TRADITIONALLY, THE ELEMENTS of cost are labour, materials and expenses, sub-divided into "direct" and "indirect" expenditure. Cost of production is obtained by adding administrative expenses to prime or "direct" cost. Selling and distributive expenses are next added to give total or selling cost. Various methods, most of them imperfect, are in vogue for calculating the rate at which "indirect" expenditure or overheads (factory, administrative, selling and distributing expenses combined) is to be added. But, with very few exceptions, the rate is intended to cover the full overheads—all the overheads whatever their nature and effect. It is this mixing of overheads into one group, when in reality they fall for control purposes into two very different groups, that has recently raised in emphatic fashion the question whether all the overheads should or should not be treated as forming part of cost.

It has often been pointed out that a cost is "fixed" only in relation to a short period during which capacity is unchanged. There is no inherent quality of fixity. Fixity or variability, as Professor David Solomons has said, is "in reality a quality of a cost only in relation to a specific business decision." Professor Solomons goes on to indicate that most costs are fixed in a short term only: they may be fixed for one operational sector, yet variable for another. Mr. Warwick Dobson writes of two types of fixed costs, "those which are incurred when production is zero, and running fixed costs which describe the higher volume of fixed costs which are incurred when production is greater than zero."

Garcke and Fells in their book *Factory Accounts*—which first appeared in 1887—distinguished between "shop" expenses, such as fuel, and "establishment" expenses, such as office rent. The shop expenses were to be charged to the products, the establishment expenses to the profit and loss account. Establishment expenses, it was argued, "do not vary proportionately with the volume of business . . . [thus] to distribute the charges over the articles manufactured would have the effect of disproportionately reducing the cost of production with every increase and the reverse with every diminution of business." Since then much has been written on the division of costs. The view predominantly held to-day is that within certain limits there are two kinds of overhead costs—those varying with time and those varying with activity. Overhead costs that vary with time are relatively unresponsive to changes in volume over a reasonably short period and over fairly wide ranges of output. Overhead costs that vary with activity are variable in that they respond to changes in the rate of activity—not necessarily in direct proportion—and also notwithstanding that changes in price or in efficiency of usage may occur concurrently. Paradoxically stated, "variable costs tend to fixity per unit of quantity; fixed costs are variable per unit of quantity." It may be noted, parenthetically, that although standard costing provides a very superior technique for control purposes, it is identical with historical costing in one respect—it is concerned with the calculation of full or total cost, that is to say, all overheads, whether variable, fixed, semi-variable or semi-fixed, are included.

What is the practical importance of this division of costs into fixed and variable? It is this—that by an increase in production with unchanged fixed costs a reduction in cost is made possible, particularly when the machine is dominant. If a new fixed cost is incurred and leads to a sufficient increase in the volume of production, the decision to incur it is a sound one, for costs per unit will not increase. If the new fixed cost cannot lead to a sufficient increase in the volume of production, costs per unit will go up. Thus whether or not to incur a certain fixed cost is a highly significant management decision.

Recognition of the effect of fixed costs upon policy decisions has led to the idea that accurate costing should concern itself with variable or direct costs only, leaving the fixed overheads to be recouped out of the surplus which sales will produce over variable or direct cost. Are we to have "direct costing" or "full costing" (sometimes termed "absorption costing")? During the last year or so there have been spirited debates on this motion in the United States.

"Direct costing" is defined in various ways, according to the use its adherents seek to make of it. One good definition is that direct costing is "a method of costing under which the product is charged only with those costs which vary with volume and pertain to the product produced, with those costs which are a function of time rather than volume being excluded from cost." A more expressive title than direct costing is suggested by the term "responsibility accounting," and perhaps "control accounting" would be better still. Direct costing may be said to be a blood-brother both of standard costing and of budgeting. It is dedicated to the same end as these other techniques but its methods are different. What are its advantages?

Firstly, it is a further aid to cost control. The separation of fixed from variable costs makes us think about the responsibility for the incurring of a new fixed cost. "Costs are accrued in categories which represent the responsibility of people." Actual and budgeted costs are compared, and the performance of those responsible is gauged. The behaviour of costs is high-lighted. Much can be learned about the scope and possibilities of cost control by observing the behaviour of costs under alternative policy decisions.

Secondly, direct costing mitigates in large degree the difficulties of imparting information to executives with little or no accounting knowledge. At a recent conference one speaker dwelt on the difficulty of convincing the

sales department on the correctness of "total costs." A change to direct costing enabled the concern "to get away from the guessing game each year in establishing departmental burden [that is, oncost] rates."

Thirdly, direct costing is useful in measuring profits. One is here in a very controversial field, but broadly speaking direct costing distinguishes profits resulting from short-term policies and those resulting from long-term policies, or (predominantly) the incurring of new fixed costs. There is obtained, by making this distinction, a clear picture of "debits for responsibility." In traditional accounting, the cost of manufacture is set against sales to give the gross profit out of which other expenses are met, the resultant balance being net profit or loss. By the direct costing technique, the accounts would start with variable costs and would end with fixed costs:

Traditional Account			*Direct Costing Account*		
		£			£
Sales		600	Sales		600
Cost of sales		492	Direct cost of sales (say)		300
Gross profit		108	Gross margin		300
Selling expenses (variable)	40		Less selling expenses (variable)		40
General expenses (fixed)	38		Trading margin		260
	—	78	General expenses (fixed)	38	
Net profit		£30	Factory expenses (fixed)	192	
				—	230
			Net profit		£30

The effect of the long-term decisions of management, insofar as these decisions are reflected in fixed costs, can be seen at a glance. What extra volume of production is required to cover fixed costs can be read off the account fairly easily. In the example, trading margin is 43 per cent. of sales and fixed expenses are £230. The minimum production required to cover the fixed expenditure is $\frac{230}{.43}$ or approximately £535 worth.

Fourthly, it is claimed that direct costing enables pricing decisions to be made more accurately than does traditional costing. For example, the different contributions made by each line or department to the fixed costs of a concern, and the margin yielded, will indicate how the concern should expand, if the management is making a decision to enlarge the output. Assume that a company makes and sells two products, A. and B. The sales are £600 worth of A. and £400 worth of B. Direct costs are £300 for A. and £160 for B. The fixed costs of the company are £350. A gross margin of £300 is thus contributed by A. and one of £240 by B., the net margin being £190. But it can easily be seen that it would be preferable to increase the sales of B. rather than of A., because the rate of gross profit on A. is 50 per cent. of sales, compared with 60 per cent. on B. In other words, each £10 worth of A. that is sold contributes a gross margin, out of which to meet fixed costs, of £5, whereas each £10 worth of B. contributes £6.

But the disadvantages of direct costing must not be ignored. Some of them are very real. There is a danger that the exclusion of fixed production costs might cause their effects on the final profit outcome to be overlooked. In the normal modern treatment, fixed costs are reckoned in the costing on the basis of production at normal capacity. But for a long time in the past, business men concerned themselves only with prime costs. Are we to go back along the road that we have so arduously travelled in reaching the present normal practice? Again, direct costing is liable to magnify the misunderstandings and political arguments which now revolve round the magnitude and reasonableness of industrial profits. It is already liable to mislead if figures of profit are quoted without supporting data; "are we going to add to this dangerous misunderstanding by stating profits on this erroneous basis?" asks a recent American enquirer. But there is in direct costing an even greater disadvantage. Whether costs are fixed or variable will depend on managerial policy and individual circumstances. Even the advocates of direct costing do not agree, in any general way, upon what costs are fixed and what are variable. The concept of "period costs" has been put forward. It is argued that there is a difference between "fixed production costs" and other fixed costs (period costs). The former are "as closely associated with production as variable costs." However, current maintenance is just as much a product cost as deferred maintenance (depreciation), yet direct costing would differentiate between the two. Again, direct costing results in a smaller value for stock, since the fixed works costs are excluded. Whatever the method of stock valuation employed, stock would be valued on a comparatively low basis, especially in businesses having heavy capital investments in machinery. This complication is to be added to the various other considerations discussed in current debates on the merits and demerits of the several methods of stock valuation. Direct costing would thus pose serious questions in the measurement of profits, the distribution of dividends and, indeed, the whole question of valuation from the auditor's standpoint. The annual accounts presented to the shareholders must be "true and fair": is this requirement satisfied if the basis of valuation of stock is altered as the "direct costers" suggest? Another, perhaps relatively minor, issue is that comparisons between the accounts of different companies would become less useful.

Is, then, traditional costing sufficient? In practical life, the accountant knows the wisdom of the truth that there is often more than one answer to a problem. He must aim at presenting facts to management in the way that will be most useful in arriving at business decisions. It would seem that the best solution here may be a compromise by which the valuable information provided by direct costing is produced and utilised, even though the business may keep its main costings by the method of absorption costing. Consistency and ease of comparison are still two of the most important factors in accountancy and we should do nothing to impair them. Shareholders, management, banks, Government departments, organised

labour and the general public all have recourse from time to time to the statements reported by accountants. The "traditional" costing method will best meet their requirements. But within the traditional philosophy of accountancy, there is ample room for the use of several control techiques, of which direct costing is one. It should be allowed to provide its valuable information about cost-volume-profit relationships and to demonstrate yet again that "accountants have a rightful place at the management conference table."

Recent Trends in Executorship and Trust Accounts

By K. S. CARMICHAEL, A.C.A.

THE FOLLOWING NOTES summarise some of the recent trends in executorship and trustee accounts.

Gifts *Inter Vivos*

Following the decision in *Sneddon* v. *Lord Advocate* [1954] A.C. 257, with certain exceptions estate duty is now levied on gifts *inter vivos*, including those by way of settlement, made by the deceased within five years of his death on the *value* at the *death* of the donor of the property *actually given*. The decision in *re Payne, Poplett* v. *A.G.* [1940] Ch. 570, which previously applied where the gift was in the form of a settlement, has been overruled. If the gift had not been made, the original property would have remained, and it was on this basic principle that the judgment in the *Sneddon* case hinged.

Naturally, if the subject matter of the gift does not exist at the date of the donor's death, no duty can be claimed. In *Strathcona* v. *C.I.R.* [1929] S.C. 800, the example was used of the gift of a racehorse which died before the donor's death. The racehorse may have been very valuable at the date of the gift, but being non-existent at the donor's death could have no value at that date, and duty could not, therefore, be levied. Similarly, if a gift of shares in a limited company is made, and the company is wound-up and its assets distributed before the donor's death, no duty can be claimed in respect of the gift.

Any income or other accrual on the subject-matter of the gift after it is made is not liable to duty. Thus, where the gift consists of shares in a company and bonus shares are issued after the date of the gift, no duty can be claimed on the bonus shares. (*A.G.* v. *Oldham* [1940] 2 K.B. 485.) Similarly where the gift of shares was by way of settlement rather than absolutely, no duty can be claimed on any bonus shares received by the trustees of the settlement.

The exceptions to the normal rule that gifts *inter vivos* within five years of the donor's death are liable to duty are:

(*a*) Gifts made in consideration of marriage including gifts made in contemplation of a marriage to a person other than the donor;

(*b*) Gifts made as part of the normal revenue expenditure of the deceased and which are reasonable having regard to his income and circumstances. It is necessary to convince the Commissioners of Inland Revenue that the expenditure is normal and reasonable;

(*c*) Gifts not exceeding £500 to any one donee within the five years prior to the deceased's death providing the donee immediately upon the gift takes possession of the property comprised therein and retains it to the entire exclusion of the donor and the property taken by the donee does not include any interest in settled property. Where settled property is involved, the limit is £100 not £500;

(*d*) Property given to the National Debt Commissioners for the reduction of the National Debt;

(*e*) The majority of gifts to the National Trust; and

(*f*) Gifts to charities more than one year before death. (If a gift to a charity is within one year of death, where at the donor's death there is no existing fund which has been and continues to be directly benefited by the gift, the Revenue do not claim from the charity duty on the gift).

Shares in a controlled company are valued under Section 55 of the Finance Act, 1940, as amended. But it is specifically provided in Section 30 of the Finance Act, 1954, that valuation under Section 55 shall not be made on a person's death on or after July 30, 1954, of any shares or debentures in such company comprised in a gift *inter vivos* made by the deceased where the shares or debentures are given absolutely to a person who was or has been in the employment of the company or to any widow or orphan of his, if the donee was not the husband, wife, ancestor, lineal descendant, brother or sister of the deceased, and full possession to the entire exclusion of the deceased of the shares or debentures was taken at the time of the gift by the donee, and the latter and his relatives did not have control or equivalent powers immediately after the deceased's death or at any time since the gift.

In *re Hall's Settlement, Sanderson* v. *Inland Revenue Commissioners* [1954] 2 All ER. 679, a deceased person settled on trust for his children, within one year of his death, shares in a company which he controlled. The settlement trustees claimed that such shares should not

be valued under Section 55 of the Finance Act, 1940, as the shares did not actually pass on death, but were only deemed to pass. The trustees lost their case, the Court holding that the Section 55 valuation was correct. This decision is not over-ruled by Section 30 of the Finance Act, 1954, as this Section does not apply if the gift is to the issue of the deceased.

The Non-Contentious Probate Rules, 1954

These rules, which were made on June 15, 1954, and came into operation on October 1, 1954, deal with the procedure to be adopted in connection with applications for probate, whether personal or through a solicitor; the order of priority for a grant where the deceased made a will and on an intestacy; the form of the administrator's bond and the requirements of sureties; the form of and requirements regarding the entry of caveats in any probate registry; the circumstances under which citations are granted; and the form of notice and procedure when there is a notice of election by the surviving spouse, who is the sole personal representative, for the redemption of her life interest.

Where the deceased died on or after January 1, 1953, wholly intestate leaving a surviving spouse, the order of priority to a grant of administration is different from that applying prior to that date. The order now is:

(*a*) surviving spouse;
(*b*) issue of the deceased;
(*c*) father or mother of the deceased;
(*d*) brothers and sisters of the whole blood and their issue.

Only if none of the persons listed in (*a*) to (*d*) survives the deceased will the undermentioned relatives be able to apply for a grant:

(i) brothers and sisters of the half-blood and their issue;
(ii) grandparents;
(iii) uncles and aunts of the whole blood and their issue;
(iv) uncles and aunts of the half-blood and their issue.

In default of any person having a beneficial interest in the estate, the Treasury Solicitor is entitled to a grant on claiming the estate *bona vacantia* on behalf of the Crown. A creditor of the deceased may obtain a grant where no relatives or the Treasury Solicitor apply.

The rules where the deceased left a will remain unchanged.

Readers will recall that under Section 47A of the Administration of Estates Act, 1925 (a new Section introduced by the Intestates Estates Act, 1952), if a person dies intestate on or after January 1, 1953, the surviving spouse may elect to redeem for a capital sum his or her life interest in one half of the residue of the intestate's estate. The spouse must give notice to the personal representative of her desire for such redemption normally within one year of representation being taken out by the personal representatives. Where the spouse is the sole personal representative, the spouse must give notice of her election to have her life interest redeemed to the principal probate registry. Form 7, attached to the Rules, sets out the form of notice. The spouse has to fill in, in the blank spaces, the name and address of the intestate, date of death, whether or not there is a complete or partial intestacy, details of the grant made and out of which registry and the capital sum retained to redeem the life interest and the amount of the costs of the transaction. Where the grant is made out of a district probate registry, the notice must be filed in duplicate.

A copy of the Rules (Statutory Instrument No. 796 (L.6) of 1954) may be obtained from Her Majesty's Stationery Office (price 1s. net).

Post-War Credits

Post-war credits are encashable by men over sixty-five and women over sixty years of age, and by persons who have become entitled to them by death or bankruptcy of the original holder when the latter would have reached the prescribed age. If the deceased at the date of death had not reached his or her appropriate age and was unable therefore to obtain payment of the credits no duty is claimed. Previously if the deceased had become entitled to be paid the amount of the post-war credit and had applied for payment, but died before receiving the proceeds, duty was claimed thereon, but by a change in practice at the present time no duty is claimed in these circumstances. If the deceased has encashed his credits, the money, if unspent, would form part of his estate and duty would be payable.

If a beneficiary takes the post-war credits under the deceased's will or on his intestacy no duty is claimed when eventually the beneficiary obtains payment of the credits. Should the beneficiary die after applying for payment but before receiving the proceeds, no duty is claimed.

Industrial Hereditaments and Plant and Machinery

Under the provisions of Section 28 of the Finance Act, 1954, estate duty is levied on industrial hereditaments and plant and machinery used in a business at fifty-five per cent. of the normal rate of estate duty for that estate.

The term "industrial hereditament" extends to land and premises used in a business which fall to be treated as an industrial hereditament for the purposes of valuation for rating or in the case of land and premises outside Great Britain would fall to be so treated if situated in England. Therefore it is necessary to turn to Section 3 of the Rating and Valuation (Apportionment) Act, 1928, for the full definition of an industrial hereditament. Under this Section the expression means a hereditament used as a mine, factory or workshop, but not including any factory or workshop primarily used for the purposes of a dwelling-house, retail shop, distributive wholesale business, storage or public supply undertaking. Provision is made for the apportionment of the estate duty relief if part of the premises ranks and part does not rank as an industrial hereditament.

Unfortunately the term "plant and machinery" is not defined in the Finance Act, 1954. It appears that the expression is being construed as covering all assets which for income tax purposes qualify for annual wear and tear allowances on a percentage basis.

Practising accountants are not relieved from estate duty under this Section as it is expressly provided that a "business" for this purpose shall not include a business

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Delivery of Inland Revenue Affidavits

If a person dies on or after July 30, 1954, and the value of the estate included in the Inland Revenue Affidavit is under £2,500 and a domicile outside Great Britain is not claimed, the affidavit should be lodged at the Principal or District Probate Registry without prior reference to the Estate Duty Office.

The Inland Revenue Affidavit should first be lodged at the Estate Duty Office, however, if any of the following types of property pass on the deceased's death:

(*a*) taxable gifts *inter vivos*;

(*b*) property in the joint names of the deceased and another passing by survivorship;

(*c*) property comprised in a settlement made by the deceased or made, directly or indirectly, at his expense or out of funds provided by him;

(*d*) settled property which is not so comprised but

(i) of which the deceased was competent to dispose and did dispose, by the exercise, by his will or otherwise, of a power conferred on him, or

(ii) which devolves on his personal representatives as assets for the payment of his debts;

(*e*) monies payable under any unsettled policy of assurance not forming an estate by itself;

and the total value (including the deceased's own net estate) amounts to £2,500 or more.

Full examination of affidavits so lodged at the Principal Probate Registry or District Probate Registry will take place after the grant has been issued. The issue of the grant does not indicate the affidavit has been accepted as satisfactory by the Estate Duty Office.

Aggregation of Settled and Unsettled Property

For deaths on or after July 30, 1954, if the value of the unsettled property of the estate of a deceased person does not exceed £10,000, the unsettled and settled property are not aggregated in finding the rate of duty payable on either. Settled property is defined by Section 33 of the Finance Act, 1954, as any settled property other than:

(*a*) property comprised in a settlement made by the deceased or made, directly or indirectly, at his expense or out of funds provided by him; and

(*b*) property not so comprised, but of which the deceased has been competent to dispose and has disposed by the exercise by his will or otherwise of a power conferred by the settlement; or

(*c*) property which devolves on the deceased's personal representatives as assets for payment of his debts.

This is another instance of the legislature defining a term by stating what it is not! Unsettled property is obviously all property which is not settled property and will include the deceased's free personalty and realty, property settled by the deceased and liable to duty, *donationes mortis causa*, gifts *inter vivos* within five years of death and not exempt, property over which the deceased exercised a general power of appointment and life assurance policies on the deceased's life, but in which he never had an interest.

Interests in expectancy have, in most cases, to be included in the unsettled property where they will devolve on the deceased's personal representatives for the payment of his debts. The former option to treat interests in expectancy as settled or unsettled property has been withdrawn for deaths on or after July 30, 1954.

If the unsettled property exceeds £10,000, the estate duty liability must be considered separately for settled and unsettled property. To find the rate of estate duty on the *settled* property, it must be aggregated with the unsettled property. Duty will be charged on *settled* property at the rate so found with any marginal relief which may be available. With the *unsettled* property, however, the duty thereon is not to exceed the amount of the excess over £10,000 together with the duty which would have been payable if the net value of the unsettled property had been reduced rateably by the amount of the excess. In such cases, therefore, there may be two "marginal relief" claims, the first in respect of the settled property, the second in connection with the unsettled property.

Valuation of Defence Bonds

If immediate encashment is made of 3 per cent. and 2½ per cent. Defence Bonds, six months' interest is deducted from the par value of the bonds. In these circumstances, the value of the 3 per cent. and 2½ per cent. Defence Bonds to be entered in the Inland Revenue affidavit is the par value of the bonds plus any interest accrued and unpaid up to death less interest for six months. The deduction of interest for six months is not made from the par value of 3½ per cent. Defence Bonds (Conversion Issue) or the 3½ per cent. Defence Bonds issued since September 1, 1952, if they are encashed immediately for the purposes of winding-up an estate. Therefore the value to be entered in the affidavit for these bonds is their par value plus any interest accrued to the date of death.

Trust Accounts

Solicitors now learn the book-keeping entries for trust accounts from Rowland's *Trust Accounts*. As accountants may meet the system of accounting outlined in that book when auditing the accounts of trusts, the following is a brief summary thereof.

For every trust, an estate book is opened which contains all or some of the following:

(i) a copy of the will or settlement setting up the trust and notes on the main provisions thereof;

(ii) the memoranda containing *inter alia* notes of the domicile and date of death of the deceased, details of relatives likely to benefit on an intestacy, decisions of the trustees, changes in trustees, rules as to bringing in after-acquired assets and any other matters which may affect the trust;

(iii) the schedule, in which are listed the opening assets and liabilities without attaching any value to assets other than cash or debts, and details of the disposal and purchase of assets and payment of liabilities. At periodic intervals the assets (other than cash) and liabilities are re-listed, giving an up-to-date picture of the trust;

(iv) a cash account, in which is recorded all receipts and payments of a capital nature;

(v) an income account, which contains details of all revenue receipts and payments;

(vi) apportionment accounts setting out the necessary legal, and in certain cases, the equitable apportionments which occur on the commencement of a trust of the residue of an estate.

The system does not involve double entry book-keeping, but rather the maintenance of an up-to-date list of the assets and liabilities of the trust and separate accounts for capital and revenue cash. The balances on the latter accounts must be reconciled frequently with the balance revealed by the bank statements. It is impossible to prepare a balance sheet of the trust: instead a detailed capital statement (a copy of the cash account) and a copy of the schedule must be sent to the beneficiary.

While no new auditing principles arise, the automatic arithmetical check of double entry is missing and errors may be more difficult to discover. However, the memoranda, being in effect a minute book of the trust, should prove helpful, for too often a minute book is not kept when double entry book-keeping is employed.

Accountants! —A word with you!

[CONTRIBUTED]

ABOUT TEN YEARS ago, as honorary auditor to a worthy but impecunious society, I was sitting at my desk late one night turning over the leaves of an ancient and well-thumbed ledger for the umpteenth time, searching for an error which still lurked somewhere within its greasy depths, despite a long and well-nigh desperate hunt. It was a hidebound brute of a book, this ledger, with innumerable congested accounts, for the most part pressed several together upon a page, or if of a larger sort, threading their labyrinthine way through hosts of smaller ones by means of a series of treacherous carryings forward where any 8 might prove to be a 3 and any 7 a 4. It was a dispiriting business to reach, at length, the last and greasiest and most dogeared page of all with the troublesome spectre that haunts every audit still unlaid. It happened that I had on my desk, among the accumulated litter of attempted balancings, a small illustrated pocket dictionary—a necessity with me because my spelling is what, in wartime, my friends used to call "utility". I was rather fond of this dictionary, perhaps because of the tiny illustrations inserted in the text. I always wondered, for instance, why the only two items chosen for illustration on one page were *peer* and *pelican;* and there were many other similar and intriguing combinations. To return, however, to my untraced and oppressive discrepancy. Grasping after any diversion, however fleeting, from the unrewarding search, I picked up this little dictionary, and, on an impulse, turned to the word *ledger*. What I read was something as follows: "Ledger. 1. Principal book of account used for recording trade transactions; 2. Large flat stone laid upon a grave." Though in neither aspect had it inspired the pencil of the artist, the printed word was ominous enough! I saw myself laid in an early grave, entombed beneath a mighty ledger, on the stone leaves of which, perhaps, might be incised the words "He could not balance."

Still, I have survived that evening, and many others as dismal occupied in a like manner, and have also, since then, looked up many of the words familiar to all accountants and auditors. It has been an interesting and instructive, even at times an amusing occupation. With the aid of Professor Skeat's excellent *Etymological Dictionary* I have tracked my quarry to the most improbable sources (if I may be allowed to mix a metaphor). Who, for instance, would expect *cash* to be, not the coin, but the box in which the bright metal was hid away? Yet it derives from the Latin *capsa*, a box, and shares its origin with *capacious*, *casket*, *scaffold*, *caitiff* and at least forty other words. Among these is *purchase*, which comes to us, says Skeat, via the Middle English, from the Old French *purchacer*, "to pursue eagerly, acquire, get," and means, literally, "to chase for," at times an apt enough definition. *Sale*, on the other hand, and surprisingly enough, reaches us, again via the Middle English, from Icelandic *sala*, "a sale, bargain, delivery, or handing over," and is allied to a Lithuanian word of similar significance. Immediately above is the cryptic entry "*salary:* see *salt*," and under *salt*, along with *salad*, *sausage*, *souse*, and *salmagundi*, we find "*salary*, *stipend:* F. *salaire*—L. *salarium:* orig. salt-money, given to soldiers to buy salt." So tha when next you have occasion to tell your youngest staff-member that he is "not worth his salt" the words will have an added meaning for you, if not for him.

From *salary* we might well progress to *fee*, which shares its source with the adjective *pecuniary*. *Pecuniary* has always seemed to me to be a word by nature indigenous, as it were, to the Golden Mile, to be most in its element in the region of Lombard Street and Cornhill. It has the sober, pin-striped, unglamourous, yet self-assured air of the highly placed executive. It comes as somewhat of a shock, then, to find that it derives from the farmyard, and has such earthy precedents as the Latin *pecus* and the Sanskrit *pacu*, both of which mean "cattle," and is related to the Old High German *fihu* and the Gothic *faihu* of similar humble connotation; from whence also comes *fee*, and (words unlikely to be often on an accountant's tongue, at least professionally), *feudal* and *enfeoff*, the significance of the source of all these words lying in the ancient practice of regarding and using cattle as currency.

Little as such reflections may occupy his mind, the word *fee* is one which will always kindle an accountant's interest and affection, and it may be a salutary exercise for the country practitioner to ponder, while he struggles with a client's livestock records and tries to relate this year's "Daisy" with last year's "Tinkerbell," what he would do if that client reverted to the ancient usage. Since, as the *Encyclopædia Britannica* so succinctly points out in its article on "Money," "a fourth requisite is that the substance used as money can without damage be divided and, if needed, united again .... while skins or precious stones suffer greatly in value by division, and .... the same is the case with regard to animals," he would, at present rates, have to wait many years for his first fee. It might, however, prove to be an investment.

Corporate Taxation

By FRANK BOWER, C.B.E., M.A.

In our issues of July (pages 257–264) and August (pages 297–301) we reported the recommendations of the Royal Commission on the Taxation of Profits and Income, with brief discussions on a number of points. We now present the second of a series of articles giving more detailed commentaries on the major suggestions of the Royal Commission. The first, Enlightenment on Stock-in-Trade, *by C. D. Hellyar, F.C.A., appeared on pages 301–4 of our last issue.*

THE PHILOSOPHY OF the Royal Commission on the subject of the taxation of corporate bodies is perhaps best exemplified by contrasting the view of the minority with that of the majority on the important question of allowing for the corporate tax against the personal taxes of the shareholder.

The Minority Proposals

The minority states simply (paragraph 90 of the memorandum of dissent): "once we recognise that the profits tax paid by companies is a different tax from the income tax paid by individuals . . . the principles of equity no more require us to offset the payment of the profits tax against the individual's liability to income tax than to call for a tax credit in connection with the many other taxes . . . the incidence of which directly or indirectly falls on the individual income tax payer." It therefore recommends (paragraph 106) "that after the introduction of the capital gains tax, the corporation profits tax should be charged at a uniform rate on the whole income of companies. Income tax should be deducted at the standard rate on the payment of rent, royalties, interest and dividends" and paid over to the Inland Revenue. The normal rate of the corporate tax is put at 33⅓ per cent. (The effect of this is simply to increase the present effective average rate of the profits tax from about 8 per cent. to 33⅓ per cent., and to ensure that income reaching individuals would never bear less than 33⅓ per cent., even if the recipient were exempt from income tax, and could bear 95 per cent. if the total income of the recipient exceeded £15,000. The minority does not recognise that there is any particular difficulty in this.)

The Majority Approach

The majority, on the other hand, declares (paragraph 416): "The principle of equity as between taxpayers, the principle that persons with equal incomes should bear an equal burden of tax, has been a strong foundation of the United Kingdom income tax system. The highly progressive form of direct taxation has been built upon it. Even if corporate taxation is not the same thing as personal taxation, as indeed it is not, it is still a part of the one system and it cannot safely proceed on altogether different principles."

It is therefore the constructive thought of the majority which carries the persuasiveness of sincerity because, although it does not arrive at perfection, it does progress naturally along an existing trend of development.

In other countries, for example Canada, where the income tax systems were initially constructed on a complete divorce between the corporation tax and the income tax, modern thought is now admitting that they are related parts of the same burden, and is devising an offset against the income tax. They are moving from a different starting point towards a similar conclusion.

The thought of the majority on the taxation of companies can be followed in two main compartments. First: should a company pay a tax additional to the income tax, and, if so, what kind of tax and how much? Second: what differences should the fact of incorporation make in the scope of the income tax and the basis of charging it?

The Principle of Taxing Companies

On the first subject "Corporate profits as a subject for taxation," Chapter 2 (paragraphs 44–57) sets out the existing taxes on company profits and goes on to examine their historical development. The retention by companies of a large part of profits upsets the conception of taxation at the standard rate as a temporary phase in their ultimate taxation at the progressive rates appropriate to the shareholders. Exemption is impossible, and a special tax which is not subsequently adjusted to the shareholder's rate is difficult to reconcile with the system of progression. Profits tax is not a substitute for sur-tax, because the majority of shareholders are not liable to sur-tax. The majority concludes this part of the first question by defining five governing considerations:

(1) undistributed corporate profits should not escape taxation;

(2) it would be wrong to tax those profits without recognising that they represent in a special form income belonging ultimately to individuals;

(3) because of its special form that income is *sui generis*;

(4) the special features which distinguish it are that generally speaking an individual shareholder has no direct ownership of or control over his share in those profits or the assets by which they are represented;

(5) income represented by a right of this kind has a lower taxable capacity than ordinary income by any method of comparison that treats each as part of the total income of some individual. (Paragraph 56.)

These governing considerations do not "offer a really satisfactory principle for determining a relationship between the burden of corporate taxation and the burden of personal taxation. . . . In the absence of any clear guidance from principles of fiscal equity we must expect that the rate will be determined primarily by the current need for revenue and by the economic objects it may be hoped to achieve by changes in the impact of taxation." (Paragraph 57.)

What Kind of Tax on Companies?

Criticisms of the present profits tax

The next part of the first subject, namely, what kind of tax should be laid on company reserves of profits and at what rate, is examined in detail in Chapter 20 (paragraphs 518–559).

Among the many criticisms of the present profits tax, with its high rate for distribution, 22½ per cent., and its low rate on retained profits, 2½ per cent., the majority selects two as being of crucial importance. Preference dividends have to be charged as distributions, but they are almost a prior charge on the equity, and this makes the tax fall on different companies unfairly according to the form of their capitalisation and constitutes an important variation of the respective rights of Preference and Ordinary shareholders which was not contemplated when the capital was issued. Retained profits bear the lower rate as long as they are retained but they carry a contingent liability to pay the distribution charge at a future date—for example, on liquidation—even though some of them can never be distributed because they have been used to pay the profits tax itself. In the face of these criticisms the principle of differential rates is examined and found wanting. There is no particular economic merit in merely retaining profits in a company: the virtue lies in creating new assets by re-investment and the tax does nothing to encourage that. (Paragraph 536.)

A combined income tax-cum-profits tax

The majority of the Commission went on to consider alternatives. A separate corporation tax alongside the income tax but with a set-off one against the other was abandoned as being unworkable. This was at first sight an interesting proposition because it would have combined the profits tax computations with the income tax computations. But the rate would have been different (usually higher) from the income tax standard rate and the whole system of taxation by deduction at source would have been made most complicated in accounting for the differences. The majority categorically repudiate the proposal of the minority. "It seems to us a wrong principle to subject the shareholder (whether by deduction at source or otherwise) to income tax liability on his receipt from the company in any way that altogether ignores the fact that the profits from which the dividend is drawn have paid corporation tax in the company's hands. We accept the criticism that it is double taxation to treat a company dividend as being a wholly new source of income." (Paragraph 544.)

Perhaps at this point reference can be made, without breaking the flow of thought, to the reservation by two signatories, Mr. W. F. Crick and Mrs. Vera Anstey. There is no real contradiction in fundamentals. They too are impressed by the difference in character between corporate profits, which are impersonal and should be subject to a proportional tax, and personal incomes, which are at the free disposal of the recipient and therefore should be subject to the progressive rates of tax. They too desire to avoid double taxation of the same income. They differ from the rest of the majority in believing that the difficulties of co-existence of the two systems of taxes have been exaggerated in its report and that a more determined effort should have been made to make the combined company tax work.

If comment may be permitted with respect, the report is right in its estimate of the practical difficulties. Mr. Crick's main thought is that the rate of the corporate tax should work independently of the standard rate of income tax. There is, however, a continual flow of income from companies to individuals, from individuals to companies, and between companies. Any difference in rate between the company rate of tax and the standard rate of income tax would lead to such difficulties at each transfer from one field to the other as to endanger the working of the system of deducting tax at source. The refinement sought by the proposed company tax would not be worth the price to be paid for it.

A tax on reserved profits alone

The next alternative was a tax on retained profits alone. This would have been a logical application of the fiscal motive for taxing companies and it would have had the merit of removing the temptation to finance companies by the issue of debentures and loans instead of by share capital. It was, however, considered to be unacceptable from the political standpoint in that it appeared to be a direct incitement to increase dividends.

A flat tax on total profits

Thus there was left the idea of a flat tax on the total profits, regardless of whether they were distributed or not, as a convenient compromise between the need for revenue and the difficulty of fixing any logically ideal form of corporate tax.

The rate of the flat tax is not specified for the reason mentioned in paragraph 57, namely the needs of the revenue and certain economic objectives, but it is expected to be much nearer to the present undistributed rate than the distribution rate. (The minority, by inference, put the figure at 8 per cent. (paragraph 99).)

It followed from the reasoning that there is no place for exemptions and abatement (which are a form of progression) and it is recommended to cancel them.

The Effect of Incorporation on Liability Generally

This is the second branch of the thought of the majority on incorporation.

The fact of incorporation loomed very large in the reasoned approach of the Commission as being something very real determining which place in the system the

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association should occupy. This may have been due to the leading part in the deliberations of the Commission played by lawyers. In the conduct of business affairs there may be but a fine dividing line between a partnership and a closely held company, but in the thought of the Commission they are very different things. This appears particularly in the discussion of ways and means of enabling unincorporated businesses and professions to obtain relief from the very high rates of sur-tax on re-invested profits. "For the answer to all this line of argument lies in the fact that the taxation of corporate enterprises lies in one field and the taxation of unincorporated enterprises in another," and, again, "we are satisfied therefore that no equity is likely to be achieved by confusing the tax treatment of one kind of enterprise with the tax treatment of the other as if each were entitled to some equitable claim to borrow the more favourable features of the other." Most taxpayers can choose how they wish to carry on business and having chosen they should accept the tax consequences, because the way is open to alter their choice. They can have income tax and profits tax on their retained profits as a company, with the possibility of income tax and sur-tax on their distributions, or they can have income tax and sur-tax on their profits as a partnership regardless of the application of those profits. (Paragraph 621.)

Sur-tax on Companies

The piercing of the corporate veil for the purpose of levying sur-tax on the profits of a company that has not made a reasonable distribution is frowned on as a wrong thing to do in normal circumstances, which can only be justified as a measure to check avoidance of tax. In this field the Inland Revenue are asked to take the onus of saying just how much distribution would be reasonable. (Paragraph 1038.)

Mutual Trading

The Commission was disturbed at the way in which later Court decisions have extended the principle that a man cannot make a profit out of himself. The legal principle of mutuality depended on there being a common fund to which all members contribute and in which all members are entitled to participate. This worked so long as the liability and rights attached separately to each individual, but when it is extended to members as a class the method of trading becomes indistinguishable from ordinary business.

As a simple, if rough, test the Commission proposes to use the fact of incorporation as a bar to pleading exemption on the ground of mutuality. Whatever the form of the rules no company should escape liability to tax on profit earned by trading with its members. (Paragraph 593.)

Basis of Assessment

In a quite different field the fact of incorporation is used as an argument for taxing businesses on their actual profits instead of on the assumption that their profits for the income tax year are what they were for the preceding accounting period of twelve months—the preceding year basis. Obviously, this is not in pursuance of any principle but purely for reasons of expediency.

The main obstacle to the adoption of the actual year basis for everyone in a business or a profession lay in the administrative work of making provisional assessments in advance and then correcting them in arrear so as to get the progressive rate and the personal allowances right. There are some 1,500,000 individuals and partners to re-assess.

This argument is weaker with companies. There are some 200,000 of them and, if the advice of the majority of the Commission on the profits tax is accepted, they will be charged at flat rates: the standard rate of income tax and the proposed flat rate of profits tax. Therefore, the improvement in equity which comes from adopting the current year basis of assessment for Cases I and II Schedule D is likely to justify the extra work of provisional assessments on companies. (Paragraph 776.)

The Oversea Trade Corporation

One further aspect of using the fact of incorporation as a criterion for a special basis of assessment is to be found in the recommendation of the Oversea Trade Corporation in the discussion of oversea profits in Chapter 24. The field of liability here discussed is not wide but the development suggested is the most interesting step yet taken since the United Kingdom accepted the broad principle of taxing the resident on his oversea income only to the extent of the difference between the oversea tax and the United Kingdom tax on that income.

After setting out all the arguments for and against exempting oversea income entirely from United Kingdom taxes, the Commission—or rather the majority—concludes that it can agree on exemption of a limited type of income for a limited type of taxpayer without resolving the main problem of principle. The type of income is oversea trading income—including dividends from oversea trading subsidiaries—and the type of taxpayer is companies formed in the United Kingdom which are wholly engaged in an oversea activity except that management and control are exercised in the United Kingdom.

The exemption is to be withdrawn when profits are distributed, the company then being obliged to pay to the Inland Revenue the "net United Kingdom rate of tax" applicable to the dividends. The rate is to be found by notionally charging the profits to profits tax and income tax and giving credit for the foreign tax. The retained profits would remain not liable to United Kingdom taxes.

Capital Profits

Another interesting development when receipts in the hands of the company are treated differently from those same receipts when they pass from the company in the form of dividends to the shareholders is to be found in the discussion on capital profits in Chapter 27. Here the fact of incorporation appears to extend the scope of the income tax. (Paragraph 803.)

A company, like an individual, may make a "capital" profit by the sale of an asset in excess of its cost. For the individual that is the end of the matter; the law does not regard the surplus as income. It has been argued that the same should apply to a dividend paid to a shareholder out of such a surplus because it is the same income. The Commission rejects this view. The company pays tax on its own account. It is true that there is no specific provision for subjecting dividends to income tax in the hands of shareholders, although they are chargeable to sur-tax. But the general conception is that the payment of tax by the company franks the dividend for income tax. This theory could not apply to a dividend paid out of a fund on which the company had not paid tax. The Commission recommends that there should be no such thing as capital profit dividends but that all dividends should be treated alike and grossed up from the net amount paid by the standard rate of tax.

"The Debate Continues"

Apart from the fundamental difference between the majority view and the minority view of "franking" the personal taxes of the shareholder for the tax levied on the profits in the hands of the company, it is becoming apparent that thought in the United Kingdom is now moving slowly away from the idea that income tax is levied on a corporate body solely as a step in the ultimate taxation of the individual by reference to his personal circumstances. There is not yet unanimity on how far the development should go. It is clear that many companies have an economic strength by virtue of their size. They are the form in which capital savings, large and small, can be organised to make their contribution to modern progress. Is that strength to be seized upon as evidence of additional "ability to pay?" Or can it be that a special tax on companies is also a special tax on progress, as the majority of the Commission seems to think?

Anti-avoidance of Profits Tax

IN BRIEF, Section 32 of the Finance Act, 1951, provides that:

(1) Where the Commissioners of Inland Revenue are of the opinion that the main purpose or one of the main purposes for which any transaction or transactions are effected is the avoidance or reduction of liability to profits tax, they may direct such adjustments to be made as they consider appropriate to counteract the avoidance, etc.

(2) If in the case of any transaction(s) involving the transfer of shares in or debentures of a company, or a change in the persons carrying on a business, or a change or changes in the directors of a director-controlled company, it appears that the main benefit which might be expected to accrue from the transaction(s) in the three years following the completion of the transaction(s) is avoidance or reduction of liability to the tax, the avoidance or reduction is deemed to be a main purpose of the transaction(s).

(3) A company contemplating or having effected any transaction(s) is empowered to place the facts before the Commissioners and ask for a "clearance". This is to be given if the Commissioners are satisfied that the transaction(s) are (were) entered into for *bona fide* commercial reasons and are such that no direction ought to be given in respect of them.

(4) Appeal against a direction lies to the Special Commissioners, but there is no appeal against the failure of the Commissioners to issue a clearance.

It looks as if the Commissioners are not prepared to be at all helpful in the matter of clearances. In these days when shareholders of private companies have to prepare during their lifetime for their estates to meet the heavy burden of estate duty, it often becomes necessary to market some shares in order to get a Stock Exchange quotation. To avoid sur-tax directions, it is necessary that at least 25 per cent. of the vote-carrying equity be held by the public and that dealings take place on the Stock Exchange. It is customary to require from the vendors an indemnity against any sur-tax directions on profits prior to the shares being marketed unless a sur-tax clearance is available.

It is now becoming customary to seek a clearance in regard to profits tax which might arise in the future as a result of the marketing of the shares. In the opinion of many accountants and solicitors and others dealing with issues, the Commissioners are not giving effect to the purpose for which the "clearance" provision was passed.

Recently the shares of a certain company were to be marketed. Accumulated profits were to be capitalised and used to pay up share capital. It was found that the best commercial way to avoid the necessity of paying away too large a proportion of the profits of the company in future was to place on the market redeemable loan stock and shares. This meant the intervention of a holding company, to which the shares in the existing company were to be sold in exchange for the loan stock and shares in the holding company. This scheme met with the approval of the Capital Issues Committee and of the Share and Loan Department of the Stock Exchange. Nevertheless, the Commissioners would not give a clearance; they first asked that the request be withdrawn and when it was not, they refused a clearance. Their arguments were on these lines:

(*a*) If the existing company were to be liquidated, the surplus assets would be treated as a distribution for profits tax.

(*b*) If the existing company issued

the loan stock as a bonus, profits tax would be payable on the redemption.

(*c*) The intervention of the holding company was unnecessary except for the purpose of avoiding profits tax.

The Commissioners refused to take into account the fact that much more profits tax would be payable as a result of increased dividends.

It was impossible to place the issue with the profits tax position unknown. So the Commissioners were approached with the alternative that bonus redeemable debentures and shares should be issued by the original company, shares to be retained by the existing shareholders and the necessary balance of shares placed on the market. To this they replied that while the company remained director-controlled and the debentures remained the property of the directors, no occasion would arise for a direction under Section 32. But they were not satisfied that the proposed transactions so far as they related to debentures would be entered into for *bona fide* commercial reasons. The company was forced to issue only Ordinary shares, with the result that profits will have to be distributed in future at a much higher rate than was envisaged, otherwise the shares could not have been placed at an adequate price.

The Board of Inland Revenue were of the opinion that they would not be justified in giving up their right to consider whether one of the main purposes of the proposed transactions was avoidance, etc., and whether they should think fit to give a direction.

This is not an isolated case and it is really intolerable that *bona fide* transactions have to be done in a way which is commercially so much less desirable, simply because the Board does not agree with the money market, the Capital Issues Committee and the Stock Exchange, yet has the last word.

When the shares of a company are made available to the public it is almost certain that future distributions will be greater than they were when the shares were privately held and that, therefore, the total profits tax liability will be increased. Despite this fact, it would seem that the Board requires a method of capitalisation to be adopted which will attract the maximum possible profits tax liability irrespective of whether or not such a method is financially prudent. We had thought that the purpose of Section 32 was to ensure that no transactions are entered into that would reduce the profits tax liability below what it would have been had the transactions not taken place. We fail to see how a transaction that increases the profits tax liability can be construed as an avoidance.

Taxation Notes

Capital Allowances and Fluctuating Profits

It is not always realised that capital allowances are allowed only if claimed. If an annual allowance for plant, etc., is not claimed, future annual allowances are calculated as if it had been claimed. When it comes to balancing allowances or charges, however, only the allowances actually claimed are taken into account.

This may be an important factor for an individual if his business income fluctuates, as will be seen from the following illustration.

If A. had little other income and is married with children, it would probably be well to claim no capital allowance for the first three years. In any event the initial allowance should not be claimed. The prospect of a smaller balancing charge or bigger balancing allowance is important, e.g. under the third column, the

A. started in business on May 31, 1952. He made up accounts to April 5, with the following results:

April 5, 1953	Profit	£600
1954	,,	£900
1955	,,	£2,000

Plant, etc., carrying a basic annual allowance of 8 per cent. was bought as follows: May 31, 1952, £2,500; July 2, 1953, £2,000. The trend of profits was anticipated.

If capital allowances are claimed each year, the calculation will be as follows:

Cost 31/5/52		£2,500	
Annual allowance, 1952/53			
$\frac{10}{12} \times 10\%$ on £2,500		208	
		2,292	
Annual allowances 1953/54		229	
		2,063	If initial
Addition year to 5/4/54		2,000	allowance
		4,063	not claimed: 4,063
Initial Allowance 1954/5	£400		
Annual ,,	406		
		806	406
		3,257	3,657
Annual ,, 1955/6		326	366
		£2,931	£3,291

	If all allowances claimed	If annual allowances only claimed	If no allowances claimed until 1955/56
Assessments:			
1952/53	£600	£600	£600
Less allowances	208	208	—
	£392	£392	£600
1953/54			
£600+$\frac{1^5/_6}{12}$×£900=	737	737	737
Less allowances	229	229	—
	£508	£508	£737
1954/55	900	900	900
Less allowances	806	406	—
	£94	£494	£900
1955/56	2,000	2,000	2,000
Less allowances	326	366	366
	£1,674	£1,634	£1,634

written-down value for that purpose is £4,500 less only £366= £4,134.

Back Duty

The Inland Revenue have made some strides in their difficult battle against tax evasion, as is evident not only from their last report but also from the experience of accountants' offices.

It is still far from satisfactory that penalties imposed when income tax was 7d. in the £ have not been reviewed. The Inland Revenue have in many cases the power to impose a penalty of three times the tax due on the whole income, and with tax at present rates, this could mean (ignoring sur-tax) a total payment of 34 shillings in the £ of total income (including the tax itself), even if omitted income were very small. Sur-tax could bring it up to 74 shillings in the £ (1955–56 rates). The Royal Commission suggests that legislation should be promoted to remove confusion and overlapping of the penalty provisions. It does not find anything amiss in leaving it to the tribunal which has investigated the facts to decide on the penalties. It does think that the Treasury's power to mitigate penalties should cease as it overlaps that of the Board. If fraud is relied on, the imposition of a punishment ought to be a matter for the High Court on indictment. The Commission says: "it is obvious that there may be cases which a liability for treble the amount of tax properly due is altogether excessive in relation to the offence committed."

The writer of this note does not agree that the Board should have such wide powers effectively to inflict such heavy penalties; the power should be vested in someone other than the prosecutor. For a body to be both judge and prosecutor seems wrong, no matter how well it does its job.

Another criticism which he feels it is necessary to make is against the delay which so often occurs in consideration of the offer. It is bad enough for the defaulting taxpayer to endure the months or years of the investigation without having to wait again for the acceptance of the offer. It savours too much of the cat and the mouse. The Revenue investigation should have been completed before the offer is made, and a quick decision is but elementary justice.

Our Professional Note pages this month include notes on Tax on Hauliers' Compensation *and* An Ancient Form of Tax Relief.

Double Taxation—Western Germany, Isle of Man and Pakistan

A CONVENTION WITH Western Germany for the relief of double taxation has been ratified and published as a schedule to an Order in Council. Under the convention certain classes of income derived from one country by a resident of the other country are (subject to certain conditions) to be exempt from tax in the country from which the income derives. The classes of income are shipping and air transport profits, certain trading profits not arising through a permanent establishment, patent and copyright royalties, interest, pensions (other than Government pensions) and purchased annuities.

Government salaries and pensions are normally to be taxed by the paying Government only, and the remuneration of visiting teachers, entertainers and businessmen and payments for the education and maintenance of visiting students are, subject to certain conditions, to be exempt in the country visited.

The rate of tax levied by the Federal Republic of Germany on dividends received from the Federal Republic by United Kingdom residents is not to exceed 15 per cent. Dividends received from the United Kingdom by residents of the Federal Republic are to be exempt from United Kingdom sur-tax.

Residents of the Federal Republic are to be entitled to the same personal allowances as British subjects resident abroad and corresponding allowances are to be given by the Federal Republic to residents of the United Kingdom.

Where income continues to be taxable in both countries, Federal Republic tax on income from sources within the Federal Republic is to be allowed as a credit against the United Kingdom tax on that income and income from United Kingdom sources is to be exempt from Federal Republic tax.

Provision is included for the exchange of information between the taxation authorities of the two countries.

The Convention is to take effect for the fiscal year 1953–54. It is published as Statutory Instrument No.

1203 of 1955 (Her Majesty's Stationery Office, 6d. net).

The double taxation agreements with the Isle of Man (see our July issue, page 265) and with Pakistan (our July issue, page 365) have been published as Schedules to Orders in Council: the Statutory Instruments are numbers 1205 and 1204 of 1955, obtainable from Her Majesty's Stationery Office at 4d. net and 6d. net respectively.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

Income Tax

Balancing charge—Coal merchanting company owning railway wagons—Vesting of wagons in British Transport Commission—Compensation—Whether transfer a "sale"—Income Tax Act, 1945, Section 17.

Kirkness v. John Hudson and Co. Ltd. (House of Lords, May 5, 1955, T.R. 145) was noted in our issues of May, 1953 (page 297) and April, 1954 (page 145). The company carried on business as a coal merchant and in 1947 owned 633 railway wagons which were used in its business. These had all been requisitioned by the Minister of Transport in 1939, and by virtue of Section 29 of the Transport Act, 1947, had become vested in the Transport Commission. By Section 30 (1) of that Act, compensation was payable on a statutory scale which took no account of the condition of the wagons but only of age, size and composition. The essence of the transaction was that the appellant company had been deprived of its wagons and had received by way of compensation so many pounds sterling in the shape of British Transport Stock; and the fundamental question in the case was whether this compulsory transaction constituted a "sale" within the meaning of Section 17 of the Income Tax Act, 1945, because for present purposes it was only in respect of a "sale" that the provisions of that Section, introducing the scheme of balancing charges and allowances, were applicable, although this ceased to be so in 1952 when the wording was radically altered. (Finance Act, 1952, Section 24 and Sixth Schedule.) A balancing charge of £29,021 had been made on the company by an assessment for 1948/9 which represented the excess of the original cost of the wagons over their written-down value. From this it would seem that the compensation money exceeded the original cost of the wagons. The Special Commissioners had decided in favour of the Revenue; but their decision had been reversed by Upjohn, J., who had been upheld by a unanimous Court of Appeal. In the House of Lords, by a majority, Lord Morton dissenting, the decisions of the lower Courts were affirmed.

In their Lordships' House, Viscount Simonds and Lords Morton, Reid and Tucker all made speeches, those of the first three being of considerable length, whilst Lord Reid said that Lord Somervell had read his opinion and had expressed agreement with it. Although the simple issue in the case was on the limits of meaning, if any, to be given to the word "sold" in Section 17, the several speeches included important dicta upon the principles governing legal interpretations, especially where there was any question of retrospective effect. The discussion amongst their Lordships was, however, characterised by a "liveliness" unusual in Revenue cases, a feature which the reader will probably find entertaining. Viscount Simonds obviously found it difficult to understand how any person of sound judgment could reasonably come to conclusions other than his own. Thus, upon the meaning of "sale":

> My Lords, in my opinion the company's wagons were not sold, and it would be a grave misuse of language to say they were sold. (Incidentally, it may be observed that Lord Tucker, if the adjective is omitted, took the same view.) To say of a man who has had his property taken from him against his will, and been awarded compensation in the settlement of which he has had no voice, to say of such a man that he has sold his property appears to me to be as far from the truth as to say of a man who has been deprived of his property without compensation that he has given it away. Alike in the ordinary use of language and in its legal concept a sale connotes the mutual assent of two parties.

On the subject of how far the provisions of later Acts could affect the meaning and construction of terms used in an earlier Act, Lord Simonds said that in *Ormond Investment Co.* v. *Betts* (1928, A.C. 143; 7 A.T.C. 11; 13 T.C. 400) the House of Lords, following a series of cases, had held that it was only where there was, to use the words of Lord Buckmaster in that case, such ambiguity that "two perfectly clear and plain constructions" were feasible that recourse could be had to a later Act for its construction. In the *Ormond* case, Lord Simonds said, it would have been easy, seeing that Lord Buckmaster differed from the others, to say that as judicial opinion differed on the meaning of the words then in question there was such an ambiguity as to justify recourse to a later Act to resolve it. Their Lordships had however been unanimous to the contrary: and this meant, according to Lord Simonds:

> each one of us has the task of deciding what the relevant words mean. In coming to that decision he will necessarily give great weight to the opinion of others, but if at the end of the day he forms his own clear judgment, and does not think that the words are "fairly and equally open to divers meanings," he is not entitled to say that there is an ambiguity. For him at least there is no ambiguity, and on that basis he must decide the case. So here for me the meaning of Section 17 . . . is clear beyond a peradventure, and I cannot look to later Acts for its meaning and effect.

Continuing, his Lordship said that much stress had been laid on the fact that the later Acts, to which the Crown sought to refer, were by a common provision to be construed as one with the earlier Act. This argument had, he said, been put forward by the Attorney-General in the *Ormond* case but, before commenting on some of the cases cited in support, he said he would make "a more general observation," and proceeded to do so in words expressive of deep feeling:

> When an Act of Parliament becomes law and its meaning is plain and unambiguous,

a citizen is entitled to order his affairs accordingly, and to act upon the footing that the law is what it unambiguously is. He must be assumed to know that the law may be altered but, if so, he may be assumed to know also that it is contrary to to the general principles of legislation in this country to alter the law retrospectively. He should know, too, that if Parliament alters the existing law retrospectively, it does so by an amendment which is an express enactment; and above all he is surely entitled to be confident that it will not do so by force merely of an assumption or an allusion in a later Act. When the *Ormond* case was heard at first instance by Mr. Justice Rowlatt he described an argument to the contrary as "a sinister and menacing proposition." So it is, and I hope that your Lordships will have none of it.

The Attorney-General had contended that the three Acts of 1945, 1947 and 1948 which had to be read together must be construed as if they were one statutory code in regard to balancing charges and allowances and had to be looked at as a whole for the purpose of interpreting "is sold" in Section 17. Amongst the cases cited in support was *Canada Southern Railway Co.* v. *International Bridge Co.* [1883] 8 App. Cas. 723, where Lord Selborne, giving the decision of the Privy Council, had used words clearly capable of supporting this view. Whilst, however, Lord Morton considered that this was their effect, Lords Simonds and Reid disagreed, the latter pointing out that there it was the meaning of the later Act which was the difficulty, it not being necessary to give a meaning to the earlier enactment which it would not otherwise have borne.

Lord Morton was apparently in complete disagreement with Lord Simonds; and his speech amounted to a solid argument that a sale was a "sale" for the purpose of Section 17 even if the adjective "compulsory" was prefixed to the word. In the main, he relied on the language of the Lands Clauses Consolidation Act, 1845; but he gave many examples, including *C.I.R.* v. *Newcastle Breweries Ltd* [1927] 6 A.T.C. 429; 12 T.C. 927, where the element of mutual assent was absent. Lord Reid, referring to the case last mentioned, said it was one where the question was whether the whole of compensation in respect of rum requisitioned by the Admiralty was a trading receipt, and declared: "A sum may well be a trading receipt although it does not come to the trader as the price of goods sold." (This dictum may be compared with the final words of the writer's first note on the present case in our issue of May, 1953, page 297.) Whilst Lord Reid was of opinion that the word "sale" might have a meaning wider than its ordinary meaning, this, he said, was not permissible in interpreting Section 17 of the 1945 Act inasmuch as it was in his opinion a charging Section. In substance, the final result of the case would seem to be that to constitute a "sale" for the purposes of Section 17, the factor of mutual assent must have been present, all four of the majority being agreed as to this element being essential.

Income Tax

Appeal—Decision in favour of appellant but case stated at appellant's request—Whether statement of case competent—Income Tax Act, 1952, Section 64.

Scharpey-Schafer v. Venn (Ch. May 6, 1955, T.R. 143) was the curious result of a decision by the Special Commissioners who had discharged an assessment upon the appellant, according to Danckwerts, J., apparently upon the admission by the Inspector that it was premature. The appellant had expressed dissatisfaction and the Special Commissioners, wrongly as the judge held, had been persuaded by the appellant to state a case. The judge held that the appeal was incompetent; and so the appellant's attempt to air a grievance against the Inspector failed.

Sur-tax

Settlement—Trust for benefit of grandson and others—Trustees given widest possible powers of investment—Sum settled stated to have been paid to trustees—Sum settled charged by settlor on mortgage of property owned by her in favour of trustees—Transaction effected by exchange of cheques between settlor and trustees—Payments of interest on mortgage to trustees—Accumulation of trust income—Whether payments by settlor deductions in computing total income—Finance Act, 1938, Section 39, 41 (3), (4)—Income Tax Act, 1952, Sections 407, 411.

C.I.R. v. Pay (Ch. May 11, 1955, T.R. 165) was a case described by Danckwerts, J., as being of rather an unusual type but which it appeared had been deliberately prepared with legal advice. The respondent upon June 30, 1950, had made a settlement with her brother and herself as trustees for the benefit of her grandson, and in the recital it was stated that she had paid £60,000 to the trustees. The trustees were to invest that sum and had been given very wide powers of investment. They were to hold the trust fund and the income thereof upon certain trusts for the grandson and, in certain events, for other persons. On July 3, 1950, the settlor executed a registered charge on certain property owned by her charging the said property with the sum of £60,000 and interest at 5 per cent. payable to herself and her co-trustee as trustees. By a provision in the document the trustees could not call in the said £60,000 during the settlor's lifetime and neither that amount nor any interest thereon nor any other money due on the security was to constitute a debt due from or be recoverable from the borrower or her executors or administrators personally. In effect, what was done was that the settlor drew a cheque for £60,000 on her private account in favour of herself and co-trustee as trustees and a cheque similar in amount had been drawn by the latter in the settlor's favour. The cheques cancelled each other and no payment in cash had taken place. The interest on the mortgage had been claimed as a deduction by the settlor for sur-tax purposes and on appeal before the Special Commissioners they had upheld the claim. Danckwerts, J., reversed their decision.

For the respondent it was contended that the only settlement was that of £60,000 by the document dated June 30, 1950, whilst for the Revenue it was contended that the whole of the proceedings constituted an "arrangement" within the meaning of Section 411 (2) of the Income Tax Act, 1952, a Section embodying anti-avoidance provisions of the Finance Act, 1938. By its provisions, an extended meaning was given to the word "settlement," and it was to include any "agreement or arrangement." The respondent's principal contention, according to the judge, was that the payments of interest were neither by virtue nor in consequence of the settlement but were paid by the settlor simply because she owned the property upon which she had given the charge; and it had been pointed out that there was no personal liability upon the part of the settlor, so that the trustees could not enforce payment against her personally. Danckwerts, J., following *C.I.R.* v. *Payne* (1940, 19 A.T.C. 505; 23 T.C. 610), held that the settlement was an arrangement under which there were created beneficial interests for the grandson and that the change in favour of the trustees was part of the whole transaction. Upon this footing he held that the non-distribution provisions of Section 407(1) of the Income Tax Act, 1952, became applicable, and, as it would seem that most of

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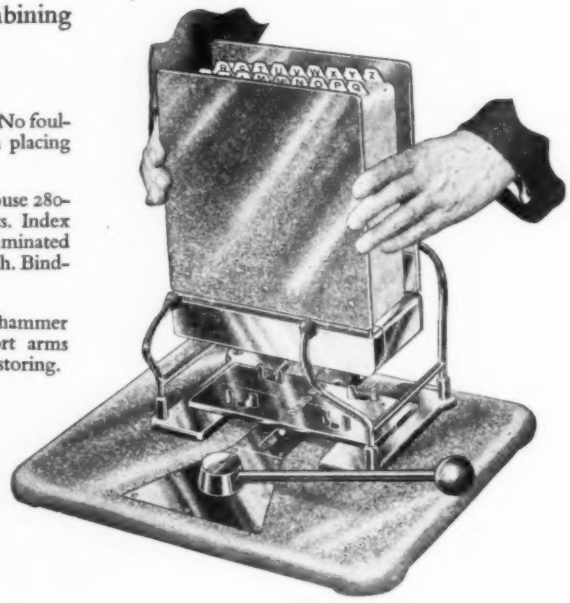

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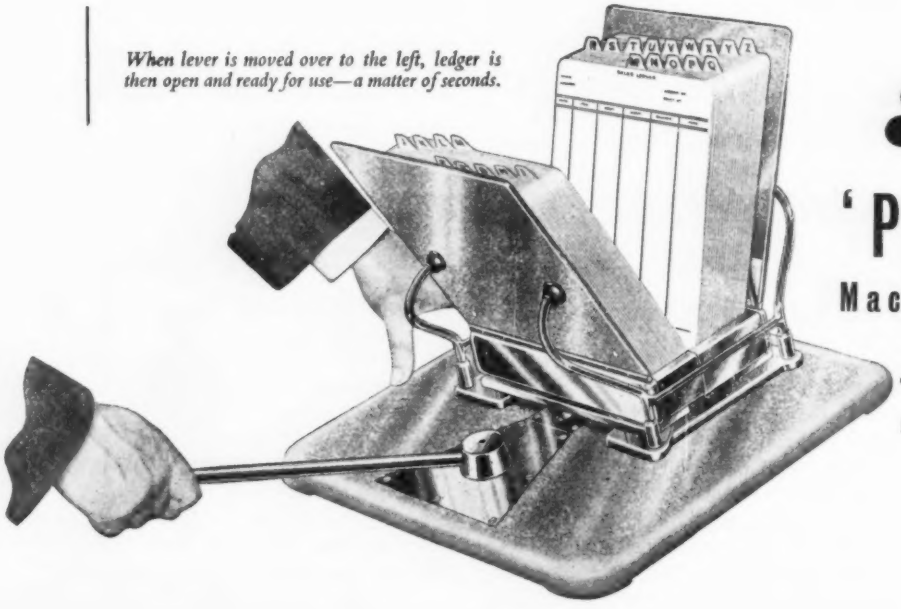

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the income had been accumulated, the scheme failed of its object. With only the judgment to go upon, it is not easy to see how the Special Commissioners had been persuaded to a different conclusion.

Estate Duty

Aggregation—Policies of assurance purported to be made under the Married Women's Policies of Assurance (Scotland) Act, 1880—In event of children all dying before the assured, policies to be "for the benefit of the estate of the last to die"—Whether policies exclusively for benefit of children—Whether assured never had an interest in policies—Married Women's Policies of Assurance (Scotland) Act, 1880, Section 2—Finance Act, 1894, Section 4—Finance Act, 1900, Section 18.

Walker and others v. C.I.R. (House of Lords, May 5, 1955, T.R. 137) was noted in our issue of March, 1954 (page 107). The appellants were trustees of the estate of the parent of four children, who had taken out policies under the Married Women's Policies of Assurance (Scotland) Act, 1880; and the issue was whether these policies so complied with the provisions of the Act as to be exempt from aggregation with the remainder of the assured's estate. In substance, under both the Scottish Act and its English equivalent, this exemption is restricted to policies which are expressed on the face of them to be for the benefit of the wife and/or the children of the assured. There were five policies to be considered, and by agreement one issued by the Royal Exchange Assurance was taken as typical for the purposes of the appeal. It was for the benefit of a nominated son if he should survive his father, but if he did not it was for the benefit of another son and daughter in equal shares if they survived their father, and if only one so survived then it was wholly to be for the benefit of that one, and if all three children predeceased their father then the policy was to be "for the benefit of the estate of the last to die of the said three children." In the Court of Session it had been held by a majority that the final trust was fatal to the exemption; but a unanimous House of Lords reversed their decision. Lords Morton and Reid gave the only speeches, Lords Porter, Radcliffe and Cohen concurring with both.

Lord Morton said there was no doubt but that the last child to predecease his father could dispose of the policy monies by will and that this power was clearly a benefit to the child in any ordinary sense of the word. He did not agree with the three Scottish judges who had given the majority decision that in the case of the last child dying intestate the parties entitled to take *under the policies* would be the heirs in intestacy: "To my mind the destinations in the policy were spent and finished when the policy was carried to the estate of the last surviving child," the heirs taking by inheritance from the child and not under the policy. Drawing attention to other provisions of the policy, Lord Morton held that the draftsman had achieved his end and that the policy exactly answered the description contained in Section 2 of the Act of 1880.

Lord Reid at the beginning of his speech mentioned that the five policies aggregated £22,191 and, if subject to aggregation with the remainder of the assured's estate, would be assessed at 60 per cent. If, however, each policy was to be regarded as a separate estate duty would be payable at four per cent. in one case, two per cent. in three cases, and nil in the fifth case. He, like Lord Morton, held that if the last surviving child were to predecease his father but die intestate the heirs would not take under the policy and that the person who would take would be the child's executor. His first duty would be to pay the child's creditors and the heirs in intestacy might get nothing. Anything which they did get, Lord Reid said, would not come to them by virtue of the destination in the policy but because the executor after meeting prior claims had to distribute to them what remained. It would be only a derivative right through the child's estate. In his opinion, holding for the estate of a deceased child was holding for the benefit of that child and every possible event was within the protection of the 1880 Act.

In view of changed social and political conditions, it is open to question whether there should not be imposed some quantitative restriction upon the protection afforded by the Married Women's Property Act, 1882, and the Married Women's Policies of Assurance (Scotland) Act, 1880. Few, however, will see any virtue in attempts to whittle it down by a closer *post mortem* technical scrutiny which, of necessity, can have no regard to other than legal merit.

Tax Cases—Advance Notes

By H. MAJOR ALLEN

HOUSE OF LORDS

Edwards v. Bairstow and Harrison. July 26, 1955.

This case was the subject of a note in ACCOUNTANCY for August, 1954, at page 311, where the facts and the decision of the Court of Appeal are set out.

The House of Lords unanimously allowed the Crown's appeal on the ground that the facts found by the Commissioners led irresistibly to the conclusion that the disputed transaction was an adventure in the nature of trade.

Camille and Henry Dreyfus Foundation v. C.I.R. July 28, 1955.

This case was the subject of a note in ACCOUNTANCY for October, 1954, at page 394.

The House of Lords unanimously dismissed the Foundation's appeal.

CHANCERY DIVISION (Wynn-Parry, J.)

Sanderson v. Durbridge. July 27, 1955.

Facts.—D., a local government officer, when working unpaid overtime, received a cash meals allowance of 2s. 6d. for tea or 6s. for dinner. On appeal against an assessment under Schedule E he contended that *either* the allowances were not taxable, *or* the cost of restaurant meals incurred by him should be deducted as an expense. The General Commissioners held that the allowances were taxable as part of the emoluments of D's. employment, but that there should be deducted as an expense the excess of the cost of restaurant meals over the normal cost of meals to D.

Decision.—Held, that the whole of the allowances was taxable and that no deduction for expenses was permissible under paragraph 7, Ninth Schedule, Income Tax Act, 1952.

The Student's Tax Columns

RESIDENCE

No matter where the owner is resident, all income arising in the United Kingdom (U.K.) is *prima facie* chargeable to U.K. income tax. There is an important exception in that the interest on certain Government securities in the beneficial ownership of persons who are not ordinarily resident in the U.K. is exempted. The securities are those issued by the Treasury with that privilege, e.g. 4 per cent. Funding Loan, 1960/90; 4 per cent. Victory Bonds, 1920/76; 3½ per cent. War Stock; 3 per cent. War Stock, 1955/59; Defence Bonds up to and including the 4th series; 3 per cent. Savings Bonds;

Income arising outside the U.K. is chargeable in the U.K. if the owner is resident therein. This statement needs qualification and enlargement; there are three (what the Royal Commission call) "conceptions" to be considered, viz. residence, ordinary residence and domicile. Any one of these can subsist by itself; two or all three can subsist at the same time.

Of the three, residence ranks first, because:

(*a*) on it depends whether income arising outside the U.K. is caught there or not;

(*b*) a non-resident is not entitled to personal reliefs unless he comes within certain specified categories, e.g. a British subject; and

(*c*) it has effects on double taxation relief and certain other limited consequences.

Ordinary residence is important because:

(*a*) a person ordinarily resident in the U.K. remains chargeable therein if he is out of the country for the purpose only of occasional residence abroad.

(*b*) British subjects (and citizens of the Irish Republic) who are resident but not ordinarily resident in the U.K. have the advantage of the remittances basis for all overseas income.

(*c*) The exemption, already referred to above, in respect of U.K. Government securities, in the beneficial ownership of persons not ordinarily resident in the U.K.

Domicile is important because a person not domiciled in the U.K. has the advantage of the remittances basis for all overseas income.

Domicile

While the law of domicile differs between countries, by the law of the U.K. a person is domiciled in that country upon which he looks as his natural home, to which if absent he wishes ultimately to return; i.e. it is where he intends to live permanently. A child acquires the domicile of his father; a wife that of her husband. It is somewhat difficult to acquire a "domicile of choice" different from that of origin; so many facts have to be considered over a long period. A person can have only one domicile, though he may be resident in more than one country at once.

Residence and Ordinary Residence

What follows is practice founded on the official interpretation of the Acts and cases.

A visitor to the U.K. is not resident there if he is there for a temporary purpose only, not with a view or intent to establish his residence therein, unless and until he has resided in the aggregate in any year of assessment for over half the year. Thus a person can visit the U.K. on October 7, 1954, and stay until October 4, 1955, without being there six months in either 1954/5 or 1955/6.

But a person who maintains an abode in the U.K. available for his use is regarded as having an "intent" and is resident in any year in which he visits the U.K.

If a visitor without an abode in the U.K. repeats his visits year by year, so as to indicate a habit of residing in the U.K. for substantial periods, he will become ordinarily resident. The Inland Revenue regard visits as having become habitual if they have occurred in four more or less consecutive years, and "substantial" if they have averaged three months or more a year. After all, twenty-five per cent. of life is substantial!

The problem of a visitor is easier than that of a person who has been ordinarily resident and leaves the U.K. The "working rules" appear to be something like this:

(*a*) A person who leaves the U.K. to take up employment abroad is regarded as non-resident from the time he leaves, provided there is evidence that the employment is to have a permanent nature and he has given up any abode which might be available in the U.K. for him. The period of employment must be for more than one complete tax year. If the employment abroad is for at least three years, however, he can be regarded as not ordinarily resident, even if he has an abode in the U.K., so long as his leaves average less than three months a year.

(*b*) A person leaving for some other purpose is "time tested" over three years; if he then has shown an intention to remain out of the U.K. permanently, non-residence will be back-dated to the time he left. Visits of less than three months in the year would not prejudice him, provided there is evidence of a clear break with the U.K. as his place of ordinary residence.

(*c*) If, however, he bought a house abroad or rented one on an agreement for over three years, this could bring him into the same position as (*a*) above.

There are certain special rules for seafaring men.

Companies

A company is domiciled where it is registered. Residence depends upon the country where the central management and control are exercised. "Control" here has nothing to do with the shareholders; it is the control by the directors that counts. If control is divided, it is possible for the company to be resident in two countries, just as an individual may be.

The Month in the City

Rally Follows Sharp Relapse

As was the case at the end of June, the figure of July 21 proved to be a peak for industrial Ordinary shares. But on this occasion the ensuing relapse was rather longer and much more severe. In fact in a fortnight it carried the index for this type of security a trifle below the level on the morrow of the general election, which was only some two per cent. above that ruling just after the first rise in Bank Rate this year had, by its moderation, caused equities to rise to a new peak. In the ten business days following July 21 the index fell by over 11 per cent. and the margin between the yield on these securities and Old Consols widened from 6d. to over 13s. No doubt a good deal of the rise had been due to speculative buying—in which, incidentally, the American participation seems to have been small, for U.S. buyers seem to intend to hold for dividend. The fall was due in considerable measure to some weak selling on a market which had, for the moment, few friends. It is difficult to say just why this should have happened except that, with average yields scarcely over 4½ per cent., few people were prepared to advise a purchase, while renewed talk of a further rise in Bank Rate, the continued weakness of fixed interest securities and the fact that in July we lost $136 million from the reserve combined to create an impression that over-full employment at home and abounding domestic spending are not the best foundations for continuing prosperity on a scale seldom known before. But if the old level was too high, a fall of these dimensions was certain to bring in some buyers; and when, on Monday, August 8, it was freely believed that the selling was exhausted, buyers came in on a moderate scale and reversed the very heavy fall of the preceding Friday.

£200 million at 4½ per cent.

It was at this stage that the authorities decided to offer the new Electricity stock on a market that had fallen 3½ points in the past month. The offer took the form of £200 million British Electricity 4½ per cent. Guaranteed stock 1967–69 at 98½, with calls payable over four months. This gives a running yield of £4 11s. 4d. and gross and net redemption yields to the final date of £4 13s. and £2 14s. 4d., respectively. The immediate reaction was to accentuate very slightly the existing weakness of gilt-edged stocks. In after-hours talk prices were marked down by a further point or so. Next morning, however, on more mature consideration, the bulk of the fall was reversed. At the time of writing the general opinion seems to be that, while this stock is more attractive than the Gas stock was at the time of issue a month before, there is little chance that more than a fraction will be taken in the first instance by genuine investors. If this is a correct appraisal of the position the bulk of the issue will be taken by the "Departments," who have to find some £40 million for the call on the Gas stock a week after the new issue. Further, until such time as these stocks are really sold to the public, their issue will have the reverse of a disinflationary effect on the economy. This means, of course, that gilt-edged prices may be expected to fall further. In that expectation, it is not surprising that the rally in industrial equities should have continued.

The Squeeze Develops?

While the stock market had been involved in these adjustments the money, discount and foreign exchange markets had been seriously concerned about the future of Mr. Butler's credit squeeze and his policy on sterling. A week before the end of the month speculation against sterling had reached a point at which action seemed to be called for. In consequence, Mr. Butler stated in the House that he had no intention of making any further advance on the exchange front until the home front had been consolidated, and later he specifically denied any intention to make sterling "float," while he issued a further letter for communication to the bankers calling for a genuine and significant reduction in advances by the end of the year. Since he then knew that some £200 million of Gas and Electricity short-term finance was to be converted by that time, this does not seem to be very heroic; but in fact this is not quite the whole story, for there is an intention to cut some existing advances and to resist many new applicants who make no contribution to increasing exports or saving imports. The bank figures for July 20 showed a fall of £51½ million in advances, which is rather more than would be expected on the basis of seasonal changes in recent years, even after account has been taken of the Gas issue. But it is a very modest beginning. Meanwhile, after a long series of visits to the Bank, the market dropped its tender price for Treasury bills a further 2d. to £99, thus raising the cost to the Exchequer above 4 per cent. for the first time in recent history. Before this happened there had been a further rather larger advance in both bank and trade bill rates. Against the background of these events and of a further rise to an all-time high in the employment percentage, the indices of the *Financial Times* show the following changes between July 21 and August 17: Government securities from 93.48 to 91.24; fixed interest from 105.43 to 102.11; industrial Ordinary shares from 223.9 to 202.2; gold mines from 83.99 to 86.08.

EXCHANGE CONTROL—
SHARE TRANSFER DECLARATIONS

Accountants are not authorised depositaries for the purposes of exchange control, and transfers deposited by them must still be accompanied by declarations on behalf of the transferors and transferees. But these declarations are not now printed on the back of the share transfer form. A form containing the two declarations for attachment to the completed transfer forms has been produced by the Solicitors' Law Stationery Society, Ltd., Oyez House, Norwich Street, Fetter Lane, London, E.C.4. The price is 1s. 3d. per dozen copies including purchase tax (postage 4d. extra).

Books Received

A Current Digest of the Law Affecting Accountancy. Third issue. January 1—April 30, 1954. Pp. 107. (*Research Committee, Incorporated Accountants' Hall, W.C.2:* 5s. net.)

Profit Sharing in Practice and Law. By John C. Harper. Pp. xxiv+868. (*Sweet & Maxwell, Ltd.:* 38s. 6d. net.)

Shares of No Par Value—The Departmental Committee's Report. A revised reprint of articles which appeared in ACCOUNTANCY in May, June and July, 1954. By W. T. Baxter and L. C. G. Gower. Pp. 37. No. 29. (*Research Committee, Incorporated Accountants' Hall, W.C.2:* 4s. net.)

A Manual of Foreign Exchange. By H. E. Evitt, F.I.B. Pp. viii+261. Fourth Edition. (*Sir Isaac Pitman & Sons, Ltd.:* 16s. net.)

A Career in the Oversea Civil Service. By Kenneth Bradley, C.M.G. Pp. 63. (*Her Majesty's Stationery Office:* 2s. 6d. net.)

(*Continued on page 356.*)

Points From Published Accounts

First Accounts—Worst Accounts?

The first accounts to be published after a company has been made public are often the worst accounts, for although the physical structure of the company may have remained unchanged, the Board and/or its auditors refuse to give comparative figures, which have appeared in the prospectus or statement of information published in the Press. The refusal may seem legally desirable, but some comparative information on the essentials could surely be given without any danger.

Reckitt and Colman Holdings provides a commendable instance where the shareholders were vouchsafed this information. The Reckitt and Colman businesses first amalgamated before the war and their assets were mergered into an operating company in which they shared the equity capital. The shares of the two companies were quoted separately. Then came the formation of a single holding company, and shareholders of Reckitt and of Colman were invited to exchange their shares into shares of the new concern. With the acquisition of a subsidiary with net assets of over £5 million the quoting of strictly comparative figures would have been ruled out, anyway, but the Board is to be congratulated on saying in its report that the "Consolidated Trading Profit and other income of £6,376,748 may be compared with a total adjusted figure of approximately £4,850,000 achieved in 1953 by all the companies now forming the Reckitt and Colman Holdings group." Note that this embraces the new subsidiary. So often, however, first accounts are meaningless unless the chairman makes a profits comparison and there is often no reason why they should be.

An interesting accompaniment to the report is a statement showing the effect of the amalgamation and of the growth of the group in 1954, which is well worth reproducing. It might with advantage be copied by other companies.

Net assets in the Reckitt & Colman group as at December 31, 1953 ..		£19,700,127
To which figure the following adjustments are required:		
Deduct: book value of shares in the Chiswick Polish Co. Ltd. (included above)	£656,329	
Amounts written off or excluded in respect of Argentine subsidiary	192,556	
	£848,885	
Other adjustments	8,956	
		839,929
		18,860,198
Add: Net assets in the Chiswick group on the same basis after provision for pension fund liability		5,266,000
Adjusted net Assets of the existing group as at 31/12/53		24,126,198
Additional Assets arising in 1954:		
From net profits retained	956,462	
From capital reserves	496,085	
Pre-acquisition profits and other adjustments	537,319	
		1,989,866
		26,116,064
Deduct: Cash consideration for shares in subsidiaries	620,381	
Formation expenses	83,238	
		703,619
Net Assets at December 31, 1954 (excluding goodwill and after deduction of amounts set aside for future income tax)		25,412,445
Add: goodwill, as per consolidated balance sheet		9,489,431
Net Assets at December 31, 1954, being the shareholders' interest in capital, share premiums and reserves, as shown by the consolidated balance sheet		£34,901,876

Incarnadine

The shape of the report of *Donaldson Textiles*, and the very attractive cover, give promise of a first-class presentation. But because of non-recurring items of the previous year and the printing of their description as well as the amounts in red, the report and the group profit and loss account hit the eyes violently.

As the writer sees it, the accounts would have been greatly simplified by putting the many exceptional items into a footnote, with the tax attributable segregated and also included in the footnote; failing that, tax could be segregated on a proportionate basis. The balance could then be struck and added to or deducted from the surplus remaining in the main account *after* deducting the dividends paid and recommmended. Instead, to the trading profit is added profit on sale of fixed assets, provision for taxation no longer required, and provision for special advertising expenditure no longer required. In the preceding year (as shareholders are informed in bold red type) there was deducted from the trading profit balance a provision for special advertising expenditure, expenses in connection with the increases of share capital, preliminary expenses written off by subsidiary company and loss on liquidation of sub-subsidiary company. It is perhaps just as well that the words "net profit" are not attached to any of the sub-balances in the accounts.

LEVERHULME RESEARCH SCHOLARSHIP IN MANAGEMENT ACCOUNTING

Twenty-one applications were received for the Leverhulme Research Scholarship. The selectors, after careful consideration of all the applications, were not able to make any recommendation to the Leverhulme Trustees for an award. Accordingly, no scholarship will be given this year, but it will again be advertised next year. The selectors were Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., F.C.A., past President and Council member of the Institute of Chartered Accountants in England and Wales (chairman), Mr. L. C. Hawkins, F.S.A.A. (a member of the Council of the Society of Incorporated Accountants), Mr. Henry Benson, C.B.E., F.C.A. and Mr. P. H. Shirley, A.C.A.(AUST.).

Readers' Points and Queries

Investment Allowances—Hire Purchase Instalments

Reader's Query.—A business entered into hire purchase agreements for machinery and vehicles (normally eligible for investment allowances) in 1953. Initial allowances were claimed and given in 1954/55 in respect of the capital portion of the instalments paid during the financial year ended December 31, 1953. Annual allowances were given on the total cash price. Is it possible to claim investment allowances on the capital portions of the instalments paid between April 6, 1954, and December 31, 1954, and initial allowances for the other three months of that year?

Reply.—As investment allowances apply where initial allowances were formerly available, investment allowances can be claimed on the instalments due after April 6, 1954, and initial allowances on the instalments due on or before April 6, 1954. The relief is on the portion capitalised, which can be either the total of the instalments or the cash value. In the latter case the interest will be charged against the profits.

Wife's Earned Income

Reader's Query.—I do not follow the personal allowance of £140 in the note in the June issue (page 220). Surely this would be given to the husband as £240?

Reply.—In the case of a married man the personal allowance is £240 with an additional personal allowance, where the wife is earning income, of seven-ninths of the wife's earned income, up to a maximum additional allowance of £140. To determine the amount of income on which the wife can have reduced rate relief, it is necessary to deduct from her earned income these allowances which can be given only because she has earned income.

Capital Allowances—Straight Line Basis

Reader's Query.—Can you tell me the basic percentage used for computing capital allowances on motor lorries or cars on the "straight line" basis (as opposed to the usual "reducing balance" method)? Please indicate whether five-fourths of that basic percentage would be available.

Is it possible to obtain a list of the basic straight-line percentages?

Reply.—So far as we know, the list of basic percentages for capital allowances on the straight line basis has not been published. Inspectors of Taxes will have the necessary information. The comparable straight line rate to 20 per cent. is 9 per cent. All annual allowances are increased to five-fourths of the basic rate.

Publications

The Scope for Electronic Computers in the Office. Pp. 102. (*Office Management Association:* 15s. net.)

Faster than Thought. Edited by B. V. Bowden. Pp. 416. (*Sir Isaac Pitman & Sons, Ltd., London:* 35s. net.)

MANY A MANAGER of a large clerical staff must still find it a mystery that the "electronics" which he knows his family radio and television to contain can possibly replace the clerks it is his daily lot to manage. In his search for enlightenment he will doubtless have attended exhibitions of digital computers, and will have read a great deal written by imaginative "experts". He will be partially convinced by this new ju-ju, but will remain uneasy. He will be dismayed by the high cost and complexity of the machines and the specialised and expert knowledge their use often involves, yet he will be almost convinced that they will prove to be simple to operate and miracles of economy. He will be worried that his firm may be missing something, while at the same time wary of the romantic atmosphere surrounding digital computers. Feeling that he ought to be doing something about them, he will be determined to do nothing until he himself can understand what goes on, until he can see clearly how they will fit into his scheme of things, until he can compare performance and price, in intelligible terms, of one maker's machine with those of several others.

Next on the reading list of any such manager (or his professional accountancy adviser) should be a brochure of papers entitled *The Scope for Electronic Computers in the Office*, prepared as the basis of discussion for the Office Management Association at its National Conference this year and now published as an attractive book of some 100 pages.

In its form, it is merely a collection of eleven papers of about 3,500 words each prepared by the foremost manufacturers of electronic machines for office use. Nothing more. In bringing these papers together, however, and in publishing them in this way, the Office Management Association has performed a notable service, for it gives a comprehensive and objective survey of the application of electronics to office processes, free from personal prejudices, hobby horses, inexpert experts and sales pressure.

Wisely, no uniformity has been imposed. Eleven manufacturers state the considerations that have guided them individually in their design of electronic machines for office use. They describe the equipment they are producing, with indications of cost and performance, and in one instance even the dimensions. The methods of applying the different equipment to a considerable number of concrete and everyday clerical routines are worked out in some detail. The reader is, by comparing one chapter with another, left (and presumably intended to be left) to form his own opinion on how electronic equipment can best serve his own concern, and on the relative merits and demerits of the machines of the different companies and of their approach to the problem of applying electronics to the office. While one must not, in recommending them, lose sight of the fact that these are study papers, prepared for office managers with some acquaintance with the subject, it is to be hoped that the demand for this book which its contents and the novelty of the method of presentation more than justify will prompt the O.M.A. to produce, perhaps from the deliberations of its members at their Conference (and not, please, from any sort of "expert"), a suitable general introduction for the average business manager still largely new to the subject.

Until then, however, the "inexpert" would perhaps be best advised (having read Lord Halsbury's introduction) to read the paper by *Burroughs Adding Machine Co. Ltd.* first, followed by the

general statement by *Powers Samas*, and then by the paper by *National Cash Register Co. Ltd.* before branching out to study the rest of the papers. In that way he will get something of the general introduction to the subject that he will want, rather than landing straight into the technicalities of disc/drum stores and nickel delay lines that he will meet if he attempts to read the papers in the order in which they are bound.

The inexpert (the average office manager) most of whose clerical routines involve absorption, production and movement of a great deal of "paper" will draw valuable enlightenment from the set of illustrations on page 28 *et seq.* (small as they are) of the sort of record that can be expected to come out of an electronic office, and from the schematic illustration naming the pieces of equipment involved and showing their operational relationship in a typical practical set up. This is a feature which could well be expanded in similar papers in future.

It is odd that only one firm (*Powers*) has thought to underline one incidental but valuable saving that electronic offices are likely to achieve, namely, considerable saving in floor space, by quoting the actual size of its machine as well as its price.

The technically minded will be interested in the *Plessey Company's* reliance on decimal counting on Dekatron tubes as against binary counting employed by all the other contributors, and may even fancy that they detect a hint that storage systems in the future may store numbers more conveniently in other than in binary form.

They will be interested too that despite the amount of clerical time involved in "chasing paper", despite the fact that nearly every one of the eleven papers mentions the difficulties of devising satisfactory data input and output systems, there is no mention of the work going on in the field of original document handling. Generally the systems mentioned interpose an additional step for the transposition of data from documents on to cards or tape for feeding to the machines instead of the original entries on the documents themselves, in some form, serving this purpose.

The O.M.A. is to be congratulated on its initiative in bringing these papers together in this form. The effort of reading them will well repay anyone prepared to make it, and it is to be hoped that the Association will continue the valuable initiative it has taken, by publishing a comprehensive document of this sort at intervals while the machines and the philosophy of their use are developing so rapidly, and until the subject is more widely understood. An annual revision would not be too frequent at the present stage of rapid development.

The dust cover of *Faster than Thought*, edited by B. V. Bowden, says: "In this unique symposium the contributions of twenty-four well-known experts have been brought together to give a clear account of modern digital computing machines, their history, theory and design, and their application to industry, commerce and scientific research."

It is not insignificant that, published in January, 1953, and presumably written during 1952, the book must reflect the ideas and opinions at that time of this particular group of scientists, none of whom would appear to have had intimate practical experience of commercial clerical systems. Although in general the work is valuable in that in a sense it marks a milestone at the end of a road of considerable endeavour, it does not in many ways reflect the ideas and thoughts of people in active contact with everyday business administration on the problem of how electronic techniques are to be best applied to office processes. These ideas and thoughts are now becoming known to us in such publications as *The Scope for Electronic Computers in the Office*, and the machines that we were able to see working at routine office functions (or the projected machines) at the recent Business Efficiency Exhibition in London.

To be frank, this is a rather "don-ish" book, a useful standby for the O. & M. adviser, but not very useful for anyone harassed by the problems of everyday management. A.N.O.N.

The Principles of Good Farm Management. By James Wyllie, O.B.E., B.SC. (AGRIC.), N.D.A.(HONS.). Pp. iv+78. (*Her Majesty's Stationery Office:* 3s. net.)

GOOD FARM MANAGEMENT combines land, labour and capital into an efficient farming unit regardless of the position, quality, or climate of the farm. Scattered throughout England and Wales there are over 275,000 farms. The vagaries of the English climate and environmental conditions cause the majority of them to carry on more than one type of farming. The examination in this booklet of the problems of good farm management is relevant to most types of farming, with the exception of specialist farming.

All accountants who number farmers among their clients should have the inside knowledge of the farming industry which they can obtain from this publication. Those who have previously read *Interpretation of Farm Accounts* (reviewed in ACCOUNTANCY for July last, page 274) will realise that the accounting contribution is more important than the short chapter on this subject suggests. In other brief chapters the author deals with the choice of a farm and farming policy, management of labour, mechanisation, milk and beef production, animal and crop husbandry. Readers of these chapters will be left in no doubt about the manifold difficulties confronting the farming industry.

The tables given in the booklet, though interesting, are of limited usefulness because they are compiled from what must be considered out-of-date information. It is becoming an accepted fact that in the future farmers will need more advice and help from their accountants. To play their part, accountants will require all the up-to-date data and standardised terms that the agricultural economists can provide. G.S.

Professional Negligence. By J. P. Eddy, Q.C. With a foreword by Sir Alfred Denning. Pp. xii+146. (*Stevens & Sons, Ltd.:* 13s. 6d. net.)

THIS BOOK reproduces, with slight additions, five Travers Memorial Lectures which the author delivered at the City of London College (that on the liability of accountants was reported in our issue of March last, pages 97/9). As Mr. Eddy observes, negligence by professional men has been assuming increasing importance and has been receiving more attention in recent years. Accountants, anaesthetists, architects, bankers, doctors, solicitors, surveyors and valuers—all have been involved in professional litigation. Throughout the lectures it is emphasised that "in tort, as distinct from contract, a duty to take care only arises where the result of a failure or omission to take care will cause physical damage to person or property. In relation to professional negligence, therefore, the duty of accountants, bankers and solicitors, for example, rests solely on contract." This is well said, yet the author gives prominence to the views of certain writers in praise of the dissenting judgment (where a different line is taken) in the well-known case of *Candler v. Crane, Christmas & Co.* on the liability of accountants. The author withholds from us his own opinion on this judgment, delivered by the writer of the foreword

to his book. The reader would be just as interested in Mr. Eddy's views on this topic as in those of the American professor who has not hesitated to express his in print.

The first chapter is devoted to the general principles of the law of negligence and then follow very full surveys of the case law affecting many professions. The chapter on "Bankers, Accountants and Auditors, and Company Secretaries" is particularly interesting. "What impresses me," says Mr. Eddy, "is the fact that there are so few reported actions against accountants and auditors for negligence." Probably wisely, he has had regard only to cases reported in the recognised series of law reports or in established textbooks. Some of the representative bodies of the professions are in possession of shorthand transcripts of "unreported" judgments affecting their members but such judgments are unreliable guides to the way in which the Courts are likely to decide questions in the future.

This work conveniently collects much information which can otherwise only be found scattered in many textbooks and law reports. The plain, unvarnished account of such points in the law of the civil liability of professional men as have actually come before the Courts will be of practical use, particularly to non-legal readers. W.H.D.W.

The Keeping of Attorneys' Books. By J. Bobrov, B.A., B.COM., C.A.(S.A.), F.S.A.A. Pp. 68. (*Juta & Co. Ltd., P.O. Box* 30, *Cape Town:* 31s. net.)

THIS WORK SHOWS the book-keeping entries necessary to maintain the accounts of an attorney. Unfortunately, one gets the impression that the narrative is over-condensed, resulting in a minimum of reading interest, whereas the subject gives plenty of opportunity for discussion.

The section dealing with disbursements on behalf of clients is particularly laconic. This topic is probably one which causes more difficulties to the book-keepers of solicitors'/attorneys' accounts than any other. Some professional men like to have a wealth of detail set out in the accounts of the client in the ledger, whilst others are prepared to accept documents of prime entry as their source of information and prefer keeping to a minimum the narrative in the ledger. The *pros* and *cons* of these different practices could with benefit have been enlarged upon in the book, and the point might have been made that disbursements do not always originate in the petty cash book or from counsel's fees, but can start in many other ways.

The method of dealing with the verification of trust ledger balances by circularising the clients would not meet with general approval in this country, although perhaps the desirability of this action originates in Regulation 60 of the Law Society of the Cape of Good Hope—at least Mr. Bobrov would seem to indicate this in his book.

All the entries, examples and rulings, which are numerous, have been prepared with great care and clearly illustrate the text which accompanies them. But it is surprising that the double ruling for trust accounts and ordinary accounts is referred to only as an alternative ruling, whereas in this country it is probably by far the most popular form of recording a transaction where the Cain system is not adopted.

However small a book, it is probably a sound maxim that a good index should be provided: this book would have benefited materially by a proper index rather than a mere list of contents.

The system of book-keeping for attorneys'/solicitors' accounts in Britain is materially affected by the Solicitors' Account Rules, 1945, and Accountants' Certificate Rules, 1946, and this complication must be borne in mind when Mr. Bobrov's book is being read. Nevertheless, as an example of book-keeping procedure which illustrates many of the problems common to solicitors/attorneys, wherever they may be practising, the work is of interest and use. A.C.S.

Practical Branch Bank Lending. By A. Forrester Fergus, A.I.B., A.C.I.S. Pp.251. (*Europa Publications Ltd., London:* 18s. net.)

CLEARLY THIS BOOK has been written by a banker primarily for bankers and students of banking. But accountants and business men can glean from it much of value.

To "know your enemy" is to start with a big advantage. This book gives every hopeful borrower an insight into what his bank manager expects of him before and during his time as an actual borrower of monies. It sets out the securities and assets normally considered to be suitable to a banker. But it does not list the many assets which all too often an individual and sometimes the directors of a company consider a banker should regard as adequate "security"! Each suitable type of security is considered in detail; so, too, is the method whereby the security is charged to the bank. Some sections here are far better than others. Those dealing with real property and its valuation are particularly good and right up-to-date. Those concerned with security for loans for the finance of foreign trade are, however, sketchy—probably deliberately, for the author is of opinion that this type of lending is normally confined to a few branches. But is it not just when one comes up against the abnormal security that one turns to the written word for guidance?

One cannot but smile when the author, writing of stocks and shares as security, says " . . . investigation . . . reveals that they have one disturbing drawback at the present time; their stability of value is not all that could be desired." A little naïve, this, when pre-war booms and slumps are remembered.

The influence of government on the direction of bank lending is considered, but its *pros* and *cons* are not dealt with, while more attention might well have been devoted to the related topic of the probable effects of Bank Rate changes on a banker and his borrowers: it is a pity these matters were treated so scantily for they are very much in the minds of both bankers and business men today, when banks are being strongly influenced, if not directed, on the uses to which their advances should be put.

This useful book is easily read but it is not for studying, except by bankers. It will not, nonetheless, provide the Branch Manager with guidance on why "Head Office" turns down the hoped-for large advance put up by him for approval—for that he must read between the lines. J.M.V.

Economics. Fifth edition. By Frederic Benham. Pp. 568. (*Sir Isaac Pitman & Sons Ltd.:* 18s. net.)

Handbook for Economics Students. By Leo T. Little. Pp. xii+181. (*Jordan & Sons Ltd.:* 7s. 6d. net.)

Essentials of Economics. Second edition. By I. Glyn Jones. Pp. 335. (*Gee & Co. (Publishers) Ltd.:* 21s. net.)

IF THE PROSPECTIVE student of economics preparing for his final examinations has any complaint about the supply of textbooks, it must be the difficulty of making a choice rather than the lack of choice. Two of these books now appear in new editions and the third is yet another book, a smaller one, added with the laudable intention of facilitating the student's path to success.

The fifth edition of Professor Ben-

ham's well known book invites comparison with the first edition, which appeared nearly twenty years ago. It would be gratifying to give the new edition the same enthusiastic welcome as was accorded to the first. Unfortunately, while the book in its original form was quite outstanding by virtue of its novel approach and up-to-dateness, the fifth edition now merely becomes one of the regrettably few very good books available for the student. Nor is it merely the passage of time or even the appearance of several competitors that has diminished the virtues and attractions of Professor Benham's work. His first edition was obviously based upon the two-year course in economic theory for undergraduates. The new edition is equally clearly aimed at the much larger readership comprising the numerous commercial college students and those preparing with the aid of correspondence courses for the various examinations of the professional bodies. The much narrower scope of the first edition ensured a more thought-provoking and thorough treatment of the issues discussed. In the new edition the descriptive sections have been considerably expanded, while the exposition of theory has been simplified to meet the requirements of the reader unaided by a teacher.

In the effort to compress so much within the compass of one book, there is a tendency to introduce too much "potted" material. Even Professor Benham at his most lucid can hardly provide a satisfactory exposition of the European Payments Union and the International Monetary Fund within three pages and while, similarly, the 15 pages comprising Part 8 is a useful summary for the weary student of the many post-war economic problems besetting these islands, it is no more than a summary.

Professor Benham writes very well. The exposition throughout his 568 readable pages is simple and the illustrative examples are well chosen. The student who works his way conscientiously through the book will pass his examinations. Whether he will be able to think rationally in economic terms is another matter. There is no doubt, however, that the part-time student will be grateful to Professor Benham for his labours, and clearly it is this student rather than the undergraduate whom the author now has in mind.

At first sight the reader may be inclined to dismiss the second of the three books, Mr. Leo Little's *Handbook for Economics Students*, as merely another cram book. Closer inspection, however, reveals that a very substantial amount of work and thought has gone into its preparation. The chapter sequence is based on Mr. Little's own excellent textbook, but the *Handbook* could equally well be used with any other text, such as Benham or Cairncross. Each chapter is condensed under a few main headings, heavy type assisting the student to concentrate on the main issues. Somewhat surprisingly, because this type of book is so often quite indigestible, the text is very readable. The author has employed several diagrammatic and tabular illustrations to clarify certain subjects, such as the course of inflation and the Keynesian savings-investment relationship. These are most effective as well as attractive. The discussion on current economic problems—for example, the balance of payments, E.P.U. and the I.M.F.—is even more detailed than in Benham and is fully up to date. The feature which attracted this reviewer was that the points made constitute a logical sequence of thought, so that each subject discussed is seen as a whole rather than as a series of disconnected and unrelated points. For the student who does his stint of study during his daily travels the format of this pocket-sized booklet will be an attractive feature.

The third book is a second edition of Mr. Glyn Jones's *Economics for Students*. The author has recognised the limited time at the disposal of most students working for their professional qualifications and has accordingly written a complete textbook virtually in note form. Each chapter is set out under appropriate headings and the successive headings are amplified by a series of brief notes. Nothing of significance appears to have been omitted under any heading, but unfortunately there is nothing in the text which indicates to the student reader which of the particular points made are more significant than others. The pattern of the book follows the traditional approach to the teaching of economics, but a serious weakness is the absence of any discussion of the newer national income approach. Nor does the very brief reference to Keynes's work offer the student much assistance in answering the many questions which are nowadays set on that subject.

It is not difficult to see the attractions that this book will undoubtedly possess for the average part-time student. Yet unless he has read other books, it is doubtful, in the reviewer's opinion, whether the student will learn to think about economics from this text. It will probably provide him with enough material to set down in parrot fashion suitable answers on the examination paper and it must be admitted, alas! that for many students this is the sole purpose of reading. The author is unfortunate in so far as his book appears simultaneously with those of Benham and Little, for it suffers in comparison with both. The arrangement of the material does not make for readability, which is a feature of Professor Benham's book. It is long, over 300 pages, and as a pre-examination revision book it is therefore excessively detailed in comparison with the more compact handbook of Mr. Little. It would undoubtedly be useful, however, for a teacher preparing a lecture course on economics at school or college, since with his background knowledge he will be able to distinguish between what is important and what may be omitted. A.R.I.

Books Received

(*Continued from page 351.*)

Trustee Savings Banks Year Book, 1955. Pp. 200. (*Trustee Savings Banks Association, Tavistock House, Tavistock House South, Tavistock Square, London, W.C.1:* No price given.)

Supplement to Income Tax, Sur-tax and Profits Tax. By E. Miles Taylor, F.C.A., F.S.A.A. 14th Edition. Finance Act, 1955. Pp. 7. (*Textbooks, Ltd., 20, Milton Road, Harpenden, Herts.* 1s. 3d. net.)

Statistics of the County Council and the Borough and District Councils of Warwick, 1955–56. (*The Treasurer, Warwickshire County Council, 12, Northgate Street, Warwick.*)

Return of Rates and Rates Levied per head of Population (England and Wales) 1955–56. (*Institute of Municipal Treasurers and Accountants, 1, Buckingham Place, London, S.W.1:* 7s. 6d. post free.)

Koncernbalansrätningens Värderingsproblem (Valuation Problems of Consolidated Accounts). By Sven-Erik Johannon. Gothenburg School of Economics Publication No. 2. With an English translation. Pp. 47. (*Gumperts Förlag, Göteborg, Sweden.*)

Executorship Accounts (Australia). By E. Bryan Smyth, F.A.S.A., A.C.I.S., A.S.T.C. Third Edition. (*The Law Book Co. of Australasia Pty. Ltd., 140 Phillip Street, Sydney:* 30s. net.)

Statistical Abstract, India 1952–53. New Series No. 4. Issued by the Central Statistical Organisation, Cabinet Secretariat, Government of India. (*The Manager of Publications, Delhi, India.* No price stated.)

County Borough of West Ham. A Financial Summary for the year ended March 31, 1955. (*Borough Treasurer, Municipal Offices, The Green, Stratford.*)

Legal Notes

Company Law—
Procedure against Officers for Misfeasance

The case of **In Re B. Johnson & Co. (Builders) Ltd.** [1955] 3 W.L.R. 269 was the subject of a Professional Note on page 286 of our August issue.

Contract and Tort—
Notice to Terminate a Licence

In **Tool Metal Manufacturing Co. Ltd. v. Tungsten Electric Co. Ltd.** [1955] 1 W.L.R. 761, the House of Lords reversed the decision of the Court of Appeal which was noted in ACCOUNTANCY for August, 1954, (page 318). T.M.M.C. had consented not to enforce payment of certain royalties payable by T.E.C.O. pending the negotiation of a fresh agreement. In 1945 T.E.C.O. brought an action against T.M.M.C. claiming rescission of the original agreement and T.M.M.C. counterclaimed for payment of royalties due under the original agreement. The claim was dismissed and the counterclaim was also dismissed, the Court holding that T.M.M.C. had not given due notice to terminate their waiver of the royalties. A second action was then brought by T.M.M.C. claiming royalties from the date of their counterclaim, which they contended to be a good notice of termination. The Court of Appeal held that the counterclaim was not a good notice but the House of Lords held that on the facts the counterclaim was a good notice.

Contract and Tort—
Determination of Commercial Agreements

In 1951 the M.-B. Company, manufacturers of aircraft ejection seats, granted a Canadian company a licence to manufacture and sell their products on the American continent upon payment of certain royalties. There was no express provision in the agreement for its determination. In 1954 the M.-B. Company made an agreement with M., who was also a director of the Canadian company, whereby he was appointed their sole selling agent in North America. The only express provision for terminating this agreement was that either party could terminate it summarily if the other party failed to remedy a breach of the agreement or became insolvent. The M.-B. Company wished to terminate both agreements, and in **Martin-Baker Aircraft Co. Ltd. v. Canadian Flight Equipment Ltd.** [1955] 3 W.L.R. 212 they asked the Court to determine whether they were entitled to terminate the agreements unilaterally and, if so, what length of notice was required.

McNair, J., held that commercial agreements of this kind would not normally be intended to create permanent relationships; for example, the law merchant would regard a contract for the sale of 100 tons of coal monthly at a fixed price, no period being specified, as a contract determinable on reasonable notice. In every such case the question was one of the construction of the agreement, but, unless there was some provision inconsistent with the agreement being revocable, the agreement would be revocable. In this case there were no provisions inconsistent with the revocability of the agreements, and there were several indications that the agreements were intended to be revocable—for example, no provision was made for altering the royalty rates whatever changes there might be in the value of money. Accordingly his Lordship held that the M.-B. company was entitled to revoke both agreements unilaterally and that in all the circumstances a twelve months' notice would be reasonable.

Contract and Tort—
Meaning of "Loss" in Insurance Policy

E. advertised his car for sale, and was then visited by a plausible gentleman, who agreed to pay the price asked and who persuaded E. to allow him to take away the car at once and to accept a cheque in payment. The cheque proved to be worthless and the plausible gentleman could not afterwards be found. E. was insured against the "loss" of his car and he claimed against his insurance company.

In **Eisinger v. General Accident Fire and Life Assurance Corporation Ltd.** [1955] 1 W.L.R. 869, Lord Goddard held that the claim failed. It was a clear case of obtaining a car by false pretences, but the property in the car passed to the rogue; what E. had lost was not the car but the proceeds of sale, and that was not a "loss" within the meaning of the policy.

Insolvency—
Validity of Bankruptcy Rules

A receiving order had been made against F. The first meeting of creditors was adjourned, and at the adjourned meeting it was resolved that F. should not be adjudged bankrupt but that there should be a further adjournment for three months so that certain proceedings could be considered. During those three months the Court, on the application of the Official Receiver, ordered that F. should be adjudicated bankrupt, the order being made under Rule 219 of the Bankruptcy Rules, 1952, which provides that: "Where a composition or scheme is not accepted by the creditors at the first meeting or at one adjournment thereof, the Court may on the application of the Official Receiver or of any person interested, adjudge the debtor bankrupt."

In **Re Fletcher** [1955] 3 W.L.R. 172, F. appealed against this order on the ground that, in view of the limits placed on the rule-making authority by Section 132(1) of the Bankruptcy Act, 1914, Rule 219 was *ultra vires*. Now Rule 219 was derived from Rule 192 of the 1886–1890 Rules, and those Rules had been continued in force by Section 168(3) of the 1914 Act. It was accordingly held that Rule 219 was valid.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The Accountants' Christian Fellowship was formed in November, 1953, with the object of promoting fellowship among Christians preparing for and engaged in accountancy and by so doing to seek to extend the Kingdom of God.

The basis of the Fellowship is the acceptance of the principles of the Christian faith as taught in the Scriptures, particularly a personal trust in our Lord and Saviour, Jesus Christ.

Membership is open to all accountants and accountancy students. At the present time there are about three hundred members and the number is increasing. The Fellowship will welcome as members all those who love our Lord and Saviour, Jesus Christ, in sincerity and in truth and who desire to give expression to their faith within the sphere of their business life.

Monthly meetings to hear speakers have been arranged throughout the winter 1955–56. These meetings will be followed by discussion meetings for students. A monthly meeting for Bible study and prayer is held throughout the year. A detailed programme will shortly be available.

Accountants wishing to join the Fellowship should write to the Honorary Secretary, Mr. N. Bruce Jones, C.A., 7a Princes Rise, Lewisham, S.E.13.

THE SOCIETY OF Incorporated Accountants

Vice-President's Visit to Australia

SIR RICHARD YEABSLEY, C.B.E., F.C.A., F.S.A.A., will visit Australia from December 16, 1955, to February 1, 1956. It is hoped that he will call upon the Institute of Chartered Accountants in Australia and the Australian Society of Accountants, and convey to these two bodies the good wishes of the Council of the Society of Incorporated Accountants.

District Societies and Branches

Scottish Branch

A MEETING OF the Council of the Scottish Institute of Accountants, the Scottish Branch of the Society, was held in Glasgow on July 26. Mr. Festus Moffat, O.B.E., J.P., President of the Branch, was in the chair.

Mr. Moffat welcomed Mr. William M. Grier on his first attendance as a member of the Council.

The Secretary reported that the Glasgow Students' Society had arranged an extensive series of lectures for the period September to December, 1955, and that it had formed a golf section, with Mr. David Forrester as golf secretary.

The chairman and the secretary reported on matters which had arisen at meetings of the Council in London and in correspondence with the Society's office. Discussion took place on the recruitment and training of articled clerks.

South African (Northern) Branch

AT A RECENT meeting of the Committee, Mr. W. K. V. Fowler was unanimously elected Chairman of the Branch, and Mr. W. D. Bramwell, Vice-President.

Mr. J. Davidson was welcomed as a new member of the Committee.

East Anglia

MR. C. H. SUTTON, F.S.A.A., has been elected President and Mr. J. C. Thornley, F.S.A.A., Vice-President.

Mr. E. F. G. Turner, A.S.A.A., has taken office as Honorary Secretary in succession to Mr. R. H. Taylor, F.S.A.A. Mr. Turner is a partner in Messrs. Harman & Gowen, Queen Street, Norwich.

Annual Report

The membership at March 31 was 188 members and 152 students.

MR. C. H. SUTTON, F.S.A.A.

Mr. Cecil Harry Sutton, the new President of the East Anglian District Society, is a principal in the Norwich firm of Harper-Smith, Moore and Co., and has a wide variety of interests both inside and outside the accountancy profession. He was articled in 1922 to the late Mr. H. Harper-Smith, a former Lord Mayor of Norwich, and this perhaps accounts for Mr. Sutton's interest in civic affairs. He has been on the City Council since 1947, and was Deputy Lord Mayor of Norwich in 1953–54; he is Vice-Chairman of the Housing Committee and serves on the Finance and Sewerage Committees. He is also clerk to the Governors of King Edward VI School, Norwich, and Honorary Secretary of the Norfolk and Norwich Triennial Musical Festival, and has been Honorary Secretary and Assistant Honorary Secretary of the Norwich and District Building Trades Employers' Association for the last twenty-five years.

Seven meetings for lectures and visits were held in Norwich, seven in Cambridge and one in King's Lynn. A luncheon was held to inaugurate the winter session.

A reception was given in March to members and students in the Ipswich and Colchester district. A proposal to form an Ipswich and Colchester centre within the District Society was received with enthusiasm, and a committee was formed under the chairmanship of Mr. G. C. Salisbury, with Mr. W. E. G. Kirby as Honorary Secretary.

North of England

MR. ARTHUR BOYD, F.S.A.A.

Mr. Arthur Boyd is now President of the Incorporated Accountants' North of England Society, which was born in the same year as he was—1896.

His training in the profession was interrupted by the 1914–18 war, during which he served in Gallipoli, Egypt and France. He qualified as an Incorporated Accountant in 1922, taking honours in the Final Examination. He is now senior partner in the firm with which he was then associated—Messrs. Eyton & Eyton, Newcastle upon Tyne. The firm has been established for seventy-five years.

Mr. Boyd has been for many years an active member of the Committee of the District Society.

Birmingham

Annual Report

THE MEMBERSHIP COMPRISES 549 members and 458 students.

The Research Committee has been active during the year. Two members of the Committee met Mr. South in London in January, and as a result a number of subjects are in hand for consideration.

Two golf meetings were arranged with H.M. Inspectors of Taxes.

A successful dinner was held in November. Monthly luncheon meetings were inaugurated during the year. The Students' Section held a dance in February.

The Committee congratulates thirty students who passed the Final Examination, and forty-four successful in the Intermediate. Mr. J. F. Woods (Final) and Mr. R. E. Boulter (Intermediate) were awarded Honours.

Lectures have been held in Birmingham, Coventry, Dudley, Shrewsbury, Worcester and Wolverhampton. Members and students in other towns are advised to form local committees to organise meetings.

Mr. H. G. Pearsall, A.S.A.A., was appointed Deputy Honorary Secretary in

September, 1954, and is rendering valuable service.

Mr. W. H. Hand, F.S.A.A., is not seeking re-election to the Committee. He was for many years Honorary Treasurer, and the Committee thank him for the excellent work he has done for the District Society.

Leicestershire and Northamptonshire

Annual Report

TWO MEETINGS WERE held in Leicester, and three in Northampton, in conjunction with other professional bodies. There were four informal meetings in Leicester to discuss matters arising in day-to-day practice.

Nine students' meetings were held in Leicester and six in Northampton, in co-operation with other students' societies.

The District Society has now 233 members and 233 students.

Fifteen students passed the Final Examination and eighteen the Intermediate.

The Research and Taxation Sub-Committees, both at Leicester and at Northampton, have had a fairly active year, and memoranda have been submitted to the parent Society. The work in boot and shoe costings has been completed and it is hoped that the book will be published at an early date.

The biennial dinner, held in February, was very enjoyable.

With much regret the death is reported of Mr. W. H. Rhodes, the immediate past President and a member of the Committee for a number of years.

Nottingham, Derby and Lincoln

Annual Report

THE MEMBERSHIP INCLUDES 78 Fellows and Associates in practice, 171 not in practice, and 200 students—total 449.

In the examinations held in 1954, Mr. P. H. Brealey was awarded Honours and fifteen others passed the Final. Twenty-five passed the Intermediate.

The biennial dinner was held in November.

Eight meetings were held at Nottingham and three at Leicester during the winter session. The Lincoln meetings were particularly well supported, and it is intended to arrange further meetings there.

Saturday morning lecture courses and half-yearly pre-examination courses continue to be available at Nottingham Technical College.

South of England

Annual Report

THERE ARE 263 qualified members and 236 students.

The year has seen the commencement of the examination centre in Southampton, which has been used by a large number of candidates.

Eight students were successful in the Final Examination and thirteen in the Intermediate. In addition, fifteen passed one part of the Final. The Committee congratulates them, especially Mr. J. D. White, who obtained the First Certificate of Merit and First Prize in the November Final Examination, and Mr. R. Dunkerley, who obtained Honours in the Intermediate.

A successful supper-dance was held in Southampton. Three cricket matches were arranged by the Bournemouth region.

Five lectures were given during the winter session. In addition, there were joint meetings with other bodies at Southampton and Bournemouth, and a mock income tax appeal at Portsmouth.

The Committee records with regret the deaths of Mr. A. Miskin, of Southampton, and of Mr. A. J. Palmer, chairman of the Portsmouth Section since its formation in 1945.

Yorkshire

AT A RECENT Committee meeting the following officers were appointed: President, Mr. J. J. Penny, F.S.A.A.; Vice-Presidents, Mr. S. Snowball, F.S.A.A. and Mr. A. J. Brindley, A.S.A.A.; Hon. Treasurer, Mr. N. Hayes, A.S.A.A.; Hon. Secretary, Mr. B. C. Stead, A.S.A.A.; Hon Librarian, Mr. T. W. Dresser, F.S.A.A.

Council Meeting

JULY 27, 1955

Present: Mr. Bertram Nelson (President), Sir Richard Yeabsley (Vice-President), Sir Frederick Alban, Mr. A. Stuart Allen, Mr. F. V. Arnold, Mr. Edward Baldry, Mr. C. Percy Barrowcliff, Mr. R. Wilson Bartlett, Mr. Robert Bell, Mr. C. V. Best, Mr. Henry Brown, Mr. W. F. Edwards, Mr. E. Cassleton Elliott, Mr. L. C. Hawkins, Mr. J. S. Heaton, Mr. J. A. Jackson, Mr. Hugh O. Johnson, Mr. H. L. Layton, Mr. C. Yates Lloyd, Mr. F. E. Price, Mr. J. A. Prior, Miss P. E. M. Ridgway, Mr. P. G. S. Ritchie, Mr. W. G. A. Russell, Mr. R. E. Starkie, Mr. Joseph Stephenson, Mr. Percy Toothill, Mr. Richard A. Witty.

Council

The Council received with regret the resignation of Mr. H. J. Bicker on grounds of ill-health.

Reports of Committees

The Council received the minutes of recent meetings of the Finance and General Purposes Committee, Examination and Membership Committee, Parliamentary and Taxation Committee, Company Law and Practice Committee, Hall Committee, Applications Committee, and Disciplinary Committee.

Membership

The Council approved eighteen applications for election to Fellowship, 281 applications for admission to membership, and 21 applications for registration as members in retirement.

Resignations

It was reported that the resignations of the following members had been accepted:

From January 1, 1955: BAILEY, Edwin William (Associate) Goodmayes, Essex; COOK, Ernest George (Associate) Ewell, Surrey; LLEWELLYN, Alfred John (Associate), Leyton, Essex; THOMPSON, Alfred Ernest (Associate), Edgware.

From January 1, 1956: MCIVER, Archibald Evander (Associate) Bournemouth; PAYNE, William Robert (Associate) Ferrybridge, Yorkshire; PYBUS, Sydney James (Fellow) Bexhill-on-Sea.

Deaths

The Council received with regret a report of the death of each of the following members: ASHMOLE, William Hadley, M.B.E., J.P. (Fellow) Swansea; BLENKARNE, Harold Morgan, O.B.E. (Associate) London; CLAMP, John William (Associate) Woodford Green, Essex; COCKERILL, Arthur William (Associate) San Francisco; DEAN, Frederick Edmund (Associate) London; EDMUND, Maldwyn (Fellow) Johannesburg; EVANS, William Victor (Fellow) Johannesburg; GREEN, William Charles (Associate) London; HANNAY, Leslie John (Associate) Worcester; HANSOM, Theodore John Philip (Associate) Sheffield; HOLDEN, Albert (Associate) Worthing; INGRAM, Charles Wilfrid (Fellow) Nairobi, Kenya; JEMMETT, Max Glanville (Associate) St. Albans; JOHNSON, Rowland (Associate) Macclesfield; KELLY, Edward Michael (Associate) Dudley; KEMP, Arthur William (Associate) Horley, Surrey; LEEFE, Cecil Ernest (Associate) Durban, S. Africa; PHILLIPS, Thomas Curnew (Associate) Cardiff; WOODWARD, Stanley (Associate) Keighley, Yorks.

Examinations—November 1955

THE SOCIETY'S EXAMINATIONS will be held on the following dates:

Preliminary:	November 8 and 9, 1955
Intermediate:	November 10 and 11, 1955
Final: Part I	November 8 and 9, 1955
Final: Part II	November 10 and 11, 1955

The Centres will be Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London, Manchester, Newcastle upon Tyne and Southampton.

Completed application forms, together with all the relevant supporting documents and the fee (Final, Part I, £4 4s.; Part II, £4 4s.; Parts I and II together, £7 7s.; Intermediate, £4 4s.; Preliminary, £3 3s.) must reach the Secretary at Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2., not later than Monday, September 19, 1955.

Candidates are asked to obtain application forms from the Honorary Secretary of their Branch or District Society.

Events of the Month

September 9.—*Hull:* "The Liability of an Auditor," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Church Institute, Albion Street, at 6.15 p.m.

September 16.—*Glasgow:* "The Elements of Punched Card Accounting," illustrated by sound film. "Purchases and Sales Accounting by Punched Cards," by Mr. W. Hall, District Manager, Powers-Samas Accounting Machines Ltd. Students' meeting. Scottish College of Commerce, at 6.15 p.m.

September 22–27.—*Cambridge:* Incorporated Accountants' Course. Gonville and Caius College and King's College.

September 24.—*Leeds:* "Partnership Accounts with particular reference to Dissolution and Realisation of Assets," by Mr. V. S. Hockley, B.COMM., C.A., A.A.C.C.A. 2 Basinghall Square, at 10.30 a.m.

September 26.—*Cambridge:* Incorporated Accountants' Course guest night dinner. King's College, 7.30 for 7.45 p.m.
Coventry: "Fire Insurance," by Mr. J. L. Clifford, A.C.I.I., A.C.I.B. Hare and Squirrel Hotel, Old Cheylesmore, at 6.15 p.m.
London: "Executors, Administrators and Trustees," by Mr. R. Glynne Williams, F.C.A. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

September 26–30.—*London:* Students' pre-examination courses, King's College.

September 28. — *Belfast:* Luncheon. "Some Current Taxation Problems," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A., Kensington Hotel, College Square East, at 1 p.m.
Belfast: "Taxation for Examinees," by Mr. H. A. R. J. Wilson ,F.C.A., F.S.A.A. Students' meeting. 13 Donegall Square West, at 7 p.m.
Norwich: Inaugural luncheon. Royal Hotel, at 1 p.m.

September 29.—*London:* Seminar on "Opportunity Costs," introduced by Mr. R. Warwick Dobson, C.A., F.C.W.A. Incorporated Accountants' Hall, W.C.2, at 6 p.m.
Newcastle - upon - Tyne: "Counter Espionage," by Mr. T. H. Campbell. Luncheon Club meeting. Eldon Grill, at 1 p.m.

September 30.—*Glasgow:* "Banking and Money," by Mr. Eric Furness, M.SC. (ECON.). Students' meeting. Scottish College of Commerce, at 6.15 p.m.
Hull: "Bills of Exchange," by Mr. C. L. Lawton, LL.M., M.SC., Barrister-at-Law. Church Institute, Albion Street, at 6.15 p.m.
Leicester: "Bankruptcy Proceedings after the Receiving Order," by Mr. Spencer G. Maurice, Barrister-at-Law. Students' meeting. Victoria Hotel, Granby Street, at 6 p.m.

October 1.—*Leeds:* "Intestacy and Legal Apportionments," by Mr. J. F. Myers, M.A., LL.B. 2 Basinghall Square, at 10.30 a.m.

October 3.—*London:* "Insolvency—I," by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law. Students' meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

October 5.—*Hull:* Luncheon Meeting. Regal Room, Ferensway, at 1 p.m.

October 7.—*Manchester:* "Elements of English Law," by Mr. J. Stewart Oakes, Barrister-at-Law. Students' meeting. Incorporated Accountants' Hall, Deansgate, at 6 p.m.

October 8.—*Leeds:* "Schedule 'D' Partnership Assessments," by Mr J. S. Heaton, F.S.A.A. 2 Basinghall Square, at 10.30 a.m.

Personal Notes

Mr. Joseph Stephenson, O.B.E., F.S.A.A., F.C.I.S., a member of the Council of the Society of Incorporated Accountants, recently received a presentation from the organisers of the Peterborough Royal Foxhound Show, with which he has been associated for fifty-seven years. He has been secretary for forty-two years.

Captain J. E. Stone, C.B.E., M.C., F.S.A.A., has been invited to serve for five years as a member of the expert advisory panel on organisation of medical care of the World Health Organization. The appointment was made after consultation with the British Government. Captain Stone is director of the Division of Hospital Facilities and consultant on hospital finance to King Edward's Hospital Fund for London. He was a guest of the Brazilian Government at the Congress of the Brazilian Hospital Association, held at Rio de Janeiro in July, and was made an honorary member.

Mr. Horace E. Horstead, F.C.A., F.S.A.A., announces that following his retirement last February from partnership in the firm of Kennedy, Smellie & Co., he has now opened offices at 1328 High Road, Whetstone, London, N.20, in addition to those at Potters Bar and at Southgate, N.14.

Messrs. Lithgow, Nelson & Co., Incorporated Accountants, London, Liverpool and Southport, announce that they have taken into partnership Mr. Frank Croxson, A.S.A.A., who has for some years been a member of their London staff.

Messrs. Jacobs & Leigh, London, W.1, have admitted to partnership Mr. Sidney Gold, A.S.A.A. The firm name has been changed to Gore, Gold & Co.

Messrs. Scott, Firth & Shaw, Incorporated Accountants, Leeds, inform us that Mr. H. H. Holdsworth, A.S.A.A., has been admitted a partner as successor to the late Mr. Edward E. Firth.

Mr. J. S. Shah, Incorporated Accountant, London, N.W.1, formerly carrying on practice in association with Charles McCormick, Chartered Accountant, at that address and under the style of "McCormick & Shah," is now continuing in practice alone under the new style of "Shah & Co." The address of the firm will remain unchanged.

Messrs. J. Wallace Williams & Co., Incorporated Accountants, Cardiff, announce that Mr. Roger M. Williams, A.S.A.A., the younger son of their senior partner, has become a partner in the firm.

Mr. Joseph C. Allen, A.S.A.A., has been appointed secretary to J. Smith & Sons (Clerkenwell) Ltd., London, E.C.2.

Messrs. F. W. Coope & Co., Incorporated Accountants, London, have admitted into partnership Mr. A. H. Badman, A.C.A., A.S.A.A.

Messrs. T. E. Lowe & Co., Wolverhampton, announce that Mr. W. C. Sproson, F.S.A.A., has retired from the partnership, but his services continue to be available in an advisory capacity. Mr. Robert Bromley, F.S.A.A., is continuing the practice together with Mr. S. Baines, A.C.A., who has been admitted to partnership.

Mr. George F. Sidaway, B.COM., A.C.A., practising at Blackheath and Halesowen, Birmingham, has taken into partnership Mr. Walter L. Danks, A.C.A., from July 1, 1955. The style of the firm remains as F. E. Sidaway, Son & Co., Chartered Accountants.

Messrs. Crane, Crinkley & Co., Chartered Accountants, Dorking and London, have taken into partnership Mr. John Edmondson, A.C.A. The firm's name is unchanged. They have also opened an additional office at 34 The Crescent, Leatherhead.

Mr. Edward Crome, A.S.A.A., A.C.W.A., has been appointed financial director of Richard Sutcliffe Ltd., mechanical-handling engineers, Wakefield.

Mr. S. Rainsbury, Incorporated Accountant, is now practising under his own name at 34 Haslemere Avenue, Hendon, London, N.W.4.

Mr. Walter Newell, A.S.A.A., has been appointed secretary of Hawker Siddeley Group Ltd.

Messrs. Whitmarsh, Edgcumbe & Co., Chartered Accountants, Plymouth, announce that they have taken over the practice of Messrs. Bawden & Finchett, Chartered Accountants, of Plympton and Kingsbridge and that Mr. J. P. Hiddleston, C.A., has joined the combined firm.

Messrs. Joy, Lane & Co., Incorporated Accountants, of Weymouth and Dorchester, announce that as from June 1, 1955, they have taken into partnership at their Dorchester Branch, Mr. Douglas Lionel Crook, A.S.A.A., who has been managing that branch for a number of years.

Obituary

William Leslie Knight

IT IS WITH regret we have to report the death of Mr. W. L. Knight, A.S.A.A., a partner in the firm of Murray Smith, Berend and Noyce, Durban, with which he had been associated for many years.

Mr. Knight became a member of the Society of Incorporated Accountants in 1931, and entered into partnership in the firm in 1935.

commented the Chairman.

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APPOINTMENTS VACANT

THE SOCIETY'S APPOINTMENTS REGISTER
Employers who have vacancies for Incorporated Accountants on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Society's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2. Tel. Temple Bar 8822.

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OFFICE MANAGER, West Birmingham. The position advertised in our August issue under Box No. 174 has now been filled.

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